

No. 14214

**CANADA
and
ANDEAN DEVELOPMENT CORPORATION**

**Loan Agreement for pre-investment studies or industrial
development projects (with annex). Signed at Caracas
on 29 March 1974**

Authentic texts: English and French.

Registered by Canada on 18 August 1975.

**CANADA
et
SOCIÉTÉ ANDINE DE DÉVELOPPEMENT**

**Accord de prêt en vue d'études de préinvestissement ou de
projets de développement industriel (avec annexe).
Signé à Caracas le 29 mars 1974**

Textes authentiques : anglais et français.

Enregistré par le Canada le 18 août 1975.

LOAN AGREEMENT¹ BETWEEN THE GOVERNMENT OF CANADA AND THE ANDEAN DEVELOPMENT CORPORATION FOR PRE- INVESTMENT STUDIES OR INDUSTRIAL DEVELOPMENT PRO- JECTS

Whereas the Government of Canada (hereinafter referred to as “Canada”) is willing to make a development loan available to the Andean Development Corporation (hereinafter referred to as “the Corporation”) for on-lending in its member countries on the terms and conditions provided herein; and

Whereas the Corporation wishes to obtain a loan from Canada for this purpose;
Now, therefore, the parties hereto agree as follows:

Article I. THE LOAN

Section 1.01. Canada shall make available to the Corporation on the terms and conditions hereinafter set forth a loan in an amount not to exceed five million Canadian dollars (Cdn \$5,000,000).

Section 1.02. Canada shall deposit in a Canadian Bank of the Corporation's choice the full amount of the Loan.

Section 1.03. This Loan shall be free of interest, commitment and service charges.

Section 1.04. Repayment of the principal amount of the Loan shall be made by the Corporation in eighty (80) semi-annual instalments of sixty-two thousand and five hundred Canadian dollars (Cdn \$62,500) each, due and payable on the last day of March and September in each succeeding year commencing on March 31, 1984 and ending on September 30, 2023.

Section 1.05. The Corporation shall have the right to prepay the Loan, in whole or in part on any date without notice to Canada. The amount of any such prepayment shall be applied to the instalments of principal then remaining payable in the reverse order of their maturity.

Section 1.06. All repayments as set forth herein shall be made by the Corporation in Canadian dollars to the Receiver General of Canada, and shall be deemed to have been paid when received by the Receiver General of Canada.

Section 1.07. Repayments shall be made without any deductions whatsoever, and more particularly shall be free from any taxes, charges or other restrictions imposed by the Corporation and those in effect in the territories of the Corporation member countries or administrative, political or judicial divisions or subdivisions of these countries.

Article II. USE OF THE LOAN

Section 2.01. Unless otherwise concurred in in writing by the Canadian International Development Agency, the proceeds of the Loan shall be used by the Corporation exclusively for on-lending to private firms as well as Government entities in member countries for pre-investment studies or industrial investment projects including the costs of ocean freight and marine insurance related thereto.

¹ Came into force on 29 March 1974 by signature, in accordance with section 6.03.

Section 2.02. The Corporation shall have the sole responsibility for selecting, processing and approving loan projects and for establishing terms and conditions of loans, using its normal policies, procedures and staff, and exercising the same care as in the administration of its own resources. The Corporation shall furnish Canada with such information and documentation in support of its operations as Canada may reasonably request, such evidence to be sufficient in form and substance to establish that the projects undertaken are properly related to the purpose of the Loan.

Section 2.03. The goods and services to be financed from the proceeds of the Loan shall be procured in Canada or in the Corporation's member countries. The procedures for the procurement of goods and services shall be those set forth in Annex A which forms an integral part of this Agreement.

Section 2.04. Notwithstanding Section 2.01, a reasonable portion of local costs may be financed from the proceeds of this Loan. However, if this portion were to exceed twenty per cent of the value of any project the concurrence of the Canadian International Development Agency should be obtained.

Section 2.05. Proceeds from the Loan shall not be used by the Corporation, and the Corporation shall ensure that proceeds from the Loan shall not be used to meet the costs of any taxes, fees or customs duties imposed directly or indirectly on any services, materials or equipment required for any projects undertaken under the Loan.

Section 2.06. The goods and services to be financed from the proceeds of the Loan shall be used exclusively in the member countries of the Corporation.

Section 2.07. Services, materials and equipment contracted for prior to the effective date of the present Agreement may not be financed out of the proceeds of the Loan unless otherwise concurred in in writing by the Canadian International Development Agency.

Section 2.08. Funds generated by the difference in terms of Canada's Loan to the Corporation and the less concessionary on-lending terms of the Corporation, and the funds generated by the interest accruing to the balance on deposit in the designated Canadian commercial bank will be used to establish a technical assistance programme for the Corporation which will include financing additional Canadian and Andean Group consultant services for project feasibility studies. For purposes of calculating the flows of resources accruing to the technical assistance programme, the Corporation is authorized to charge a standard administrative fee of up to 2.5 percent to be deducted from the differential in interest rates.

Article III. WITHDRAWALS OF PROCEEDS OF THE LOAN

Section 3.01. Subject to the conditions and limitations herein set forth, the Corporation shall be entitled to withdraw from the Loan account such amounts as are required to meet the costs of the services, materials and equipment which are eligible for financing as the costs become due and payable.

Section 3.02. Withdrawals from the Loan Account may be made in favour of such persons or agencies as may be designated by the Corporation.

Section 3.03. The Corporation or its designated agent shall furnish or cause to be furnished to Canada such documents and other evidence in support of its on-lending operations as Canada may reasonably request, such evidence to be sufficient in form and substance to establish that the amounts to be withdrawn are properly related to the purpose of the Loan.

Article IV. CANCELLATION, SUSPENSION OR AMENDMENT

Section 4.01. The Corporation may, by sixty (60) days written notice to Canada, cancel all or any part of the Loan not withdrawn by the Corporation prior to the giving of such Notice and not required to meet outstanding financial obligations incurred under the Loan.

Section 4.02. If any of the following events occur, and continue to occur, Canada may, by sixty (60) days written notice to the Corporation specifying the reason for suspension, suspend in whole or in part the right of the Corporation to obtain withdrawals from the Loan Account:

- a) A default by the Corporation in the payment of principal or in any other payments or repayments required under this Agreement and the Annexes hereto;
- b) A default on the part of the Corporation in the performance of any other undertakings under this Agreement;
- c) Any extraordinary situation which renders it impossible for the Corporation to perform its obligations under this Agreement.

If suspension occurs and continues for thirty (30) days, Canada may, by sixty (60) days written notice to the Corporation, cancel that part of the Loan not withdrawn prior to the giving of such notice, and not required to meet outstanding financial obligations incurred under the Loan.

Section 4.03. This Agreement may be amended at any time subject to the concurrence of both the Corporation and Canada.

Article V. GENERAL UNDERTAKINGS

Section 5.01. Canada and the Corporation shall co-operate fully to ensure that the purpose of the Loan will be accomplished and each shall furnish to the other all such information as shall reasonably be requested with regard to the general status of the Loan. The Corporation shall inform Canada as soon as possible of any condition or contingency which interferes with, or threatens to interfere with, the accomplishment of the purpose of the Loan.

Article VI. COMMUNICATIONS

Section 6.01. Any communication or document given, made or sent by either the Corporation or Canada pursuant to this Agreement or any Annex thereto shall be in writing and shall be deemed to have been duly given, made or sent to the party to which it is addressed at the time of its delivery by hand, mail, telegram, cable or radiogram at its respective address, namely:

For the Corporation: The President, Corporación Andina de Fomento, Edificio Centro Comercial Libertador, Caracas, Venezuela.

Cable Address: Caf-Caracas

For Canada: The President, Canadian International Development Agency, 122 Bank Street, Ottawa, Ontario, K1A 0G4.

Cable Address: Cida Ottawa.

Section 6.02. Any one of the parties hereto may, by notice in writing to the other party hereto, change the address to which any notice or request intended for the party so giving such notice shall be addressed.

Section 6.03. All communications and documents submitted to Canada shall be in either the English or French language, and all technical and engineering specifications with regards to projects to be undertaken by Canadian firms shall be in terms of Canadian standards unless otherwise concurred in in writing by the Canadian International Development Agency.

This Agreement shall enter into force on the date it is signed by the two parties.

IN WITNESS WHEREOF, the undersigned, being duly authorized, have signed this Agreement.

DONE in two copies at Caracas this 29th day of March 1974, in the English and French languages, each version being equally authentic.

Dr. MIGUEL CASTILLO BLANCO
For the Andean Development Corporation

C. J. VAN TIGHEN
For the Government of Canada

A N N E X A

PROCUREMENT PROCEDURES

1. *Procurement of Goods*

Canadian suppliers shall be given equal opportunity with those of the Corporation member countries to tender for goods to be procured under the Loan.

For the purposes of this Agreement, goods eligible for financing from Canada shall mean equipment and supplies with a sixty-six and two-third per cent Canadian content procured either directly from suppliers in Canada or from suppliers outside Canada and warranted to meet normal Canadian content requirements of the Canadian International Development Agency. In order to obtain this warranty the Canadian companies invited to tender shall be instructed to:

- i) include in their tender a declaration of the Canadian content of the items they are offering for purchase;
- ii) send copies of all tenders to the Canadian International Development Agency at the same time as they are forwarded to the recipient procurement authority. (The copies of tenders received by the Canadian International Development Agency will be treated as a closed tender call and not opened until the dates established by the recipient.)
- iii) complete a Canadian content form and forward it to the Canadian International Development Agency with each copy of tender. Neither the Corporation nor its borrowers shall be held responsible for monitoring the Canadian content of goods supplied. The warranty referred to above shall be sufficient evidence that the goods do in fact meet the definition of goods produced in Canada.

Should the Canadian International Development Agency have reason to believe that any goods supplied did not in fact meet the Canadian content requirement, the Canadian International Development Agency may notify in writing the Corporation that those goods should, for future invitations to tender, be considered ineligible for financing from the Loan. On receipt of such a written notification, the Corporation shall regard the goods named in the notification as ineligible for financing from the Loan unless the Corporation is subsequently informed in writing to the contrary by the Canadian International Development Agency.

For the purposes of this Agreement, goods from the Corporation's member countries will be eligible for financing if a reasonable per cent of their content is manufactured within the region of the Corporation.

2. Procurement of Services

Canadian firms shall be given equal opportunity with those of the Corporation member countries for the provision of professional, consulting or other services required under the Loan.

For the purposes of this Agreement, services from Canadian firms or their subsidiaries abroad shall be eligible for financing. Canadian firms shall mean firms incorporated in Canada, and managed and operated from Canada, employing Canadian personnel and having not less than 51 per cent of their shares beneficially owned by Canadians.

The Corporation shall supply to the Canadian International Development Agency on a periodic basis the names of all Canadian consultants or suppliers of services who have registered with it. The Canadian International Development Agency will notify the Corporation in writing which Canadian consultants or suppliers of services it considers eligible. For the purposes of this Agreement, the Corporation will retain only Canadian consultants or suppliers of services whose names appear on the Canadian International Development Agency's eligibility list. The Corporation will consult with the Canadian International Development Agency regarding any Canadian consultants or suppliers of services whose eligibility has not thus been determined.

For the purposes of this Agreement, services from firms of the Corporation's member countries shall be eligible for financing. These firms shall mean firms incorporated in the above countries, managed and operated from them, employing nationals of the above countries, and having a reasonable per cent of their shares beneficially owned by the above countries.
