

**No. 16312**

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**UNITED STATES OF AMERICA  
and  
BOLIVIA**

**Loan Agreement relating to Small Farmer Organizations  
(with annex). Signed at La Paz on 24 March 1976**

*Authentic texts: English and Spanish.*

*Registered by the United States of America on 27 January 1978.*

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**ÉTATS-UNIS D'AMÉRIQUE  
et  
BOLIVIE**

**Accord de prêt relatif aux Associations de petits agriculteurs  
(avec annexe). Signé à La Paz le 24 mars 1976**

*Textes authentiques : anglais et espagnol.*

*Enregistré par les États-Unis d'Amérique le 27 janvier 1978.*

ALLIANCE FOR PROGRESS LOAN AGREEMENT<sup>1</sup> BETWEEN THE  
REPUBLIC OF BOLIVIA AND THE UNITED STATES OF  
AMERICA (SMALL FARMER ORGANIZATIONS)

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Date: March 24, 1976

A.I.D. Loan No. 511-T-055

LOAN AGREEMENT<sup>1</sup> dated March 24, 1976, between the GOVERNMENT OF BOLIVIA (“Borrower”) and the UNITED STATES OF AMERICA, acting through the AGENCY FOR INTERNATIONAL DEVELOPMENT (“A.I.D.”).

*Article I. THE LOAN*

Section 1.01. *The Loan.* A.I.D. agrees to lend to the Borrower in furtherance of the Alliance for Progress and pursuant to the Foreign Assistance Act of 1961, as amended, an amount not to exceed seven million five hundred thousand United States dollars (US\$7,500,000) (“Loan”) to assist the Borrower in carrying out the Project referred to in section 1.02 (“Project”). The Loan shall be used exclusively to finance United States dollar costs (“Dollar Costs”) and pesos bolivianos costs (“Peso Costs”) of funding financing mechanisms and procuring goods and services required for the Project. The aggregate amount of disbursements under the Loan is hereinafter referred to as “Principal”.

Section 1.02. *The Project.* The Project consists of making funds available through the National Community Development Service (“NCDS”) to finance a Revolving Credit Fund and a Grant Fund that will enable cooperative and pre-cooperative organizations (“SFOs”) to strengthen their viability as self-sustaining units; to assist other rural community organizations in infrastructural improvements needed to increase employment and income opportunities in the rural areas; to assist NCDS in strengthening its cooperative development training capability through improved training facilities, technical assistance and participant training; and, to procure goods and services required to support the Project.

The Project is more fully described in Annex I attached hereto, which Annex may be modified in writing by agreement between the Borrower and A.I.D.

*Article II. LOAN TERMS*

Section 2.01. *Interest.* The Borrower shall pay to A.I.D. interest which shall accrue at the rate of two percent (2%) per annum for ten years following the date of the first disbursement hereunder and at the rate of three percent (3%) per annum thereafter on the outstanding balance of Principal. The Borrower will also pay to A.I.D. a penalty on any due and unpaid interest at the rate of three percent (3%) per annum computed on the basis of a 365-day year. Interest on the outstanding balance shall accrue from the date of each respective disbursement (as such date is defined in

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<sup>1</sup> Came into force on 24 March 1976 by signature.

section 7.05) and shall be computed on the basis of a 365-day year. Interest shall be payable semiannually. The first payment of interest shall be due and payable no later than six (6) months after the first disbursement hereunder, on a date to be specified by A.I.D.

Section 2.02. *Repayment.* The Borrower shall repay the Principal to A.I.D. within forty (40) years from the date of the first disbursement hereunder in sixty-one (61) approximately equal semiannual installments of Principal and interest. The first installment of Principal shall be payable nine and one-half (9½) years after the date on which the first interest payment is due in accordance with section 2.01. A.I.D. shall provide the Borrower with an amortization schedule in accordance with this section after the final disbursement under the Loan.

Section 2.03. *Application, currency, and place of payment.* All payments of interest and Principal hereunder shall be made in United States dollars and shall be applied first to the payment of interest due and then to the repayment of Principal. Except as A.I.D. may otherwise specify in writing, all such payments shall be made to the Agency for International Development, Washington, D.C. 20523, Attention: Cashier SA-12, and shall be deemed made when received.

Section 2.04. *Prepayment.* Upon payment of all interest and refunds then due, the Borrower may prepay, without any other charges, all or any part of the Principal. Any such prepayment shall be applied to the installments of Principal in the inverse order of their maturity.

Section 2.05. *Renegotiation of the terms of the Loan.* The Borrower agrees to negotiate with A.I.D., at such time or times as A.I.D. may request, an acceleration of the repayment of the Loan in the event that there is any significant improvement in the internal and external economic and financial position and prospects of the Government of Bolivia.

### *Article III. CONDITIONS PRECEDENT TO DISBURSEMENTS*

Section 3.01. *Standard conditions precedent to initial disbursement.* Prior to the first disbursement or to the issuance of any commitment documents under the Loan, the Borrower shall, except as A.I.D. may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

- (a) an opinion of the Fiscal de Gobierno de Bolivia or other Counsel acceptable to A.I.D. that this Agreement has been duly authorized and/or ratified by and executed on behalf of the Borrower, and that it constitutes a valid and legally binding obligation of the Borrower in accordance with all of its terms;
- (b) a statement of the name of the person holding or acting in the office of the Borrower, specified in section 9.02, and a specimen signature of the person specified in that statement, appropriately certified as to its authenticity;
- (c) evidence of a time-phased Implementation and Evaluation Plan describing on an annual basis how the NCDS will implement each activity associated with the Project;
- (d) evidence that the CY 1976 NCDS budget at least provides for (i) increasing the number of NCDS professional staff, (ii) substantially increasing the salaries of key NCDS and other personnel, and (iii) financing all NCDS operational costs;

- (e) evidence that the Borrower shall support the traditional NCDS Community Development Program over a four-year period at a total level equivalent to at least US\$1.2 million for social infrastructure activities and at least US\$200,000 for *campesinos* training;
- (f) evidence that the GOB has approved the recently designed NCDS personnel system (including hiring, promoting and transferring policies) designed by the team provided by the Ministry of Planning and Coordination;
- (g) evidence that the GOB has approved a National and Regional Budgeting and Funding System, including the quarterly NCDS operating and project budget allotment procedure, developed by the NCDS and the Ministry of Finance which will result in prompt payment for goods and services received;
- (h) evidence that the GOB has approved the Payroll System which will pay all NCDS personnel on a prompt basis;
- (i) evidence that the GOB has approved and implemented the new NCDS organizational structure outlined in the NCDS General Plan of Activities, 1976-1979;
- (j) evidence of signed agreements between the NCDS and (i) the National Institute of Cooperatives (INALCO), (ii) Ministry of Agriculture and Campesino Affairs (MACAG) Extension Division, and (iii) Banco del Estado that are necessary to carry out the Project;
- (k) evidence that NCDS has entered into an acceptable vehicle repair and maintenance agreement.

Section 3.02. *Condition precedent to disbursement of any Loan funds for the Revolving Credit Fund or Grant Fund.* Prior to the disbursement of any funds for the Revolving Credit Fund or Grant Fund, Borrower shall submit evidence that operating directives, in form and substance satisfactory to A.I.D., have been issued to the institutions responsible for subloan credit approval. In addition, no Revolving Credit Funds or Grant Funds shall be disbursed prior to the submission of annual work plans prepared by the key members of the Technical Assistance Team and agreed upon by the NCDS and A.I.D. The work plans shall include a description of the proposed work program, including the responsibilities of the technical assistance team members as outlined in Annex I. The work plan should also include a breakdown of the interest spread and an analysis of the desirability of establishing a discount fee for zonal centrals and SFOs. These should be analyzed within the context of providing funds to capitalize small farmer organizations and zonal centrals and to help finance zonal central and small farmer organizations' operating and administrative costs. The work plan will initially be reviewed on a semiannual basis by A.I.D., NCDS, selected SFOs, zonal centrals and the Technical Assistance Team.

Section 3.03. *Condition precedent to disbursements of any Loan funds for the procurement of equipment.* Prior to disbursement of any funds for procurement of any equipment, Borrower shall submit to A.I.D., in form and substance satisfactory to A.I.D., a plan for the maintenance of all equipment to be financed under the Project.

Section 3.04. *Condition precedent to continuing disbursement-budget allocations.* Except as A.I.D. may otherwise agree in writing, prior to any disbursements or issuance of any commitment documents under the Loan after March 31 of each year of the disbursement period 1977-1980 for any purpose other than to pay

short-term technical assistance salaries under existing contracts being financed by the Loan and to make payments due on outstanding irrevocable Letters of Credit, the Borrower shall submit to A.I.D., in form and substance satisfactory to A.I.D., evidence that the budgetary allocations for implementation of the Project have been made to the NCDS for the current year.

Section 3.05. *Terminal dates for meeting conditions precedent to disbursements.* If all of the conditions specified in section 3.01 shall not have been met within 90 days from the date of this Agreement or such later date as Borrower and A.I.D. may agree to in writing, A.I.D., at its option, may terminate this Agreement by giving written notice to the Borrower. Upon giving of such notice, this Agreement and all obligations of the Parties hereunder shall terminate.

Section 3.06. *Notification of meeting conditions precedent to disbursement.* A.I.D. shall notify the Borrower in writing when the conditions precedent to disbursement specified in sections 3.01, 3.02 and 3.03 have been met.

#### *Article IV. GENERAL COVENANTS AND WARRANTIES*

Section 4.01. *Execution of the Project.* (a) The Borrower shall carry out the Project with due diligence and efficiency, and in conformity with sound financial and administrative practices.

(b) The Borrower shall cause the Project to be carried out in conformity with all of the plans and specifications development with assistance of private consultants, if any, required by A.I.D. to be utilized in connection with any construction project.

(c) Borrower shall seek to minimize any harmful effects upon the natural environment which might be caused by any proposed activity under the Project.

Section 4.02. *Funds and other resources to be provided by the Borrower.* Besides the contribution of the Borrower stated in section 5.01 hereof, the Borrower shall provide promptly as needed all funds, in addition to the Loan, and all resources required for the punctual and effective carrying out and maintenance of the Project.

Section 4.03. *Continuing consultation.* The Borrower and A.I.D. shall cooperate fully to assure that the purposes of the Loan will be accomplished. To this end, the Borrower and A.I.D. shall, from time to time, at the request of either Party, exchange views through their representatives with regard to the progress of the Project, the performance by the Parties to this Agreement of their obligations under this Agreement, and other matters relating to the Project.

Section 4.04. *Management.* The Borrower shall cause to be provided qualified and experienced management for the Project and shall cause to be trained such staff as may be appropriate for the successful implementation of the Project.

Section 4.05. *Taxation.* This Agreement, the Loan, and any evidence of indebtedness issued in connection herewith shall be free from, and the Principal and interest shall be paid without deduction for and free from, any taxation or fees imposed under the laws in effect within the Republic of Bolivia. To the extent that (a) any contractor, including any consulting firm, any personnel of such contractor financed hereunder, and any property or transactions relating to such contractor and (b) any commodity procurement transaction financed hereunder are not exempt from identifiable taxes, tariffs, duties, and other levies imposed under laws in effect in Bolivia, Borrower shall pay or reimburse the same under section 4.02 of this Agreement with funds other than those provided under the Loan.

Section 4.06. *Utilization of goods and services.* (a) Goods and services financed under the Loan shall be used exclusively for the Project, except as Borrower and A.I.D. may otherwise agree in writing.

(b) Except as A.I.D. may otherwise agree in writing, no goods or services financed under the Loan shall be used to promote or assist any foreign aid project or activity associated with or financed by any country not included in Code 935 of the A.I.D. Geographic Code Book as in effect at the time of such use.

Section 4.07. *Disclosure of material facts and circumstances.* The Parties represent and warrant that they have disclosed all facts and circumstances that might materially affect the Project and the discharge of their obligations under this Agreement. The Parties agree to advise each other of any facts and circumstances that may hereafter arise that might materially affect, or that it is reasonable to believe might materially affect, the Project or the discharge of their obligations under this Agreement.

Section 4.08. *Commissions, fees and other payments.* (a) The Parties warrant and covenant that in connection with obtaining the Loan, or taking any action under or with respect to this Agreement, they have not paid, and will not pay or agree to pay, nor to the best of their knowledge has there been paid nor will there be paid or agreed to be paid by any other person or entity, commissions, fees, or other payments of any kind, except as regular compensation to the Borrower's full-time officers and employees or as compensation for bona fide professional, technical, or comparable services. The Parties agree to advise each other of any payment or agreement to pay for such bona fide professional, technical, or comparable services to which they are a Party or of which they have knowledge (indicating whether such payment has been made or is to be made on a contingent basis). If the amount of any such payment is deemed unreasonable by A.I.D., the same shall be adjusted in a manner satisfactory to the Borrower and A.I.D.

(b) The Borrower warrants and covenants that no payments have been or will be received by the Borrower, or any official of the Borrower, in connection with the procurement of goods and services financed hereunder, except fees, taxes, or similar payments legally established in the Republic of Bolivia.

Section 4.09. *Maintenance and audit of records.* The Borrower shall maintain or cause to be maintained, in accordance with sound accounting principles and practices consistently applied, books and records relating both to the Project and to this Agreement. Such books and records shall, without limitation, be adequate to show:

- (a) all transactions involving the Revolving Credit Fund and the Grant Fund resources made available hereunder, including the use of the funds and the borrower or grantee thereof;
- (b) the receipt and use made of goods and services acquired with funds disbursed pursuant to this Agreement;
- (c) the nature and extent of solicitation of prospective supplies of goods and services acquired;
- (d) the basis of the award of contracts and orders to successful bidders; and
- (e) the progress of the Project.

Such books and records shall be regularly audited by auditors acceptable to A.I.D. in accordance with sound auditing standards, for such period and at such intervals as A.I.D. may require, and shall be maintained for five years after the date of the last disbursement by A.I.D. or until all sums due A.I.D. under this Agreement have been paid, whichever date shall first occur.

Section 4.10. *Reports.* The Borrower shall furnish to A.I.D. such information and reports relating to the Loan and the Project as A.I.D. may request.

Section 4.11. *Inspection.* The authorized representative of A.I.D. shall have the right at all reasonable times to inspect the Project, the utilization of all goods and services financed under the Loan, and the books, records, and other documents of the Borrower or any of its constituent agencies relating to the Project and the Loan. The Borrower shall cooperate with A.I.D. to facilitate such inspections and shall permit representatives of A.I.D. to visit any part of the Republic of Bolivia for any purpose relating to the Loan.

#### Article V. SPECIAL COVENANTS

Section 5.01. *Borrower's contribution.* Borrower agrees to provide as its contribution to the Project resources of equivalent value to the Borrower Contribution shown in Annex I hereto.

Section 5.02. *Implementing covenants.* Unless A.I.D. shall otherwise agree in writing, Borrower covenants to carry out, or cause to be carried out, the following actions:

- (a) that the Borrower will maintain the peso value of the Revolving Credit Fund, to be established with A.I.D. loan funds, at a level at least equal to the amount of Loan disbursements made into the Fund;
- (b) that the Borrower, through the National Treasurer, will replenish the Grant Funds, initially established with A.I.D. funds, so that it remains at a level at least equal to the peso equivalent of dollars disbursed to the Fund;
- (c) that the Borrower will ensure that the construction equipment necessary to carry out the economic infrastructure subprojects financed by the Revolving Credit Fund will be provided on a timely basis to the NCDS;
- (d) that the NCDS personnel, budgetary and finance, and payroll systems submitted to A.I.D., in form and substance satisfactory to A.I.D., will be implemented in a timely manner as discussed in section 3.01 (f) and (h);
- (e) that the Borrower will make quarterly operating and project budget allotments to the NCDS on a timely basis as discussed in section 3.01 (g);
- (f) that the employees necessary to support the other A.I.D. loan-financed Projects will be provided as required;
- (g) that the Borrower will review with A.I.D. annually the operations of the Revolving Credit Fund and the Grant Fund (financed by A.I.D. on a loan or grant basis) to determine the sufficiency of amounts contained therein;
- (h) that the Borrower will issue within a reasonable time a detailed Cooperative Development Strategy in connection with the GOB National Five-Year Development Plan, which includes priorities for creating a viable private agricultural cooperative subsector and a description of the expected role of other donors in this effort;

- (i) that should A.I.D. grant funds provided for the Project prove insufficient to finance all necessary long-term technical assistance the Borrower agrees to use Loan funds otherwise available for the Revolving Credit Fund for this purpose as required;
- (j) the NCDS covenants to provide its support for A.I.D.-financed activities and will not assume any responsibilities, including activities supported by other international agencies, which would be likely to impair its ability to provide full support to the Project and to other A.I.D.-assisted projects currently under discussion with NCDS;
- (k) that the Borrower will take the necessary action to insure that prior to receiving resources from either the Revolving Credit Fund or the Grant Fund, each participating organization, entity or person will agree (i) to act in conformity with the Borrower's program to reduce the production of coca leaf in Bolivia to that determined to be necessary for legitimate uses and (ii) until such time as the program becomes effective, to limit the area planted to coca to that area already in production at the time the participating organization, entity or person first applies to use either of these funds.

#### Article VI. PROCUREMENT

Section 6.01. *Procurement from selected free world countries.* Except as the Borrower and A.I.D. may otherwise agree in writing, and except as provided in subsection 6.10 (c) with respect to marine insurance, disbursements made pursuant to section 7.01 shall be used exclusively to finance the procurement for the Project of goods and services having their source and origin in countries included in Code 941 of the A.I.D. Geographic Code Book as in effect at the time orders are placed or contracts are entered into for such goods and services ("Selected Free World Goods and Services"). Notwithstanding any other provisions hereunder, when motor vehicles are to be procured with Loan funds they must have been manufactured in the United States. All ocean shipping financed under the Loan shall have both its source and origin in countries included in Code 941 of the A.I.D. Geographic Code Book as in effect at the time of shipment.

Section 6.02. *Procurement from the Republic of Bolivia.* Except as A.I.D. may otherwise agree in writing, peso boliviano disbursements made pursuant to section 7.02 and section 7.04 shall be used exclusively to finance the procurement for the Project of goods and services having both their source and origin in the Republic of Bolivia.

Section 6.03. *Eligibility date.* Except as A.I.D. may otherwise agree in writing, no goods or services may be financed under the Loan which are procured pursuant to orders or contracts firmly placed or entered into prior to the date of this Loan Agreement.

Section 6.04. *Goods and services not financed under the Loan.* Goods and services procured for the Project, but not financed under the Loan, shall have their source and origin in countries included in Code 935 of the A.I.D. Geographic Code Book as in effect at the time orders are placed for such goods and services.

Section 6.05. *Implementation of procurement requirements.* The definitions applicable to the eligibility requirements of sections 6.01, 6.02 and 6.04 will be set forth in detail in Implementation Letters.



Section 6.06. *Consulting services.* Consulting firms used by the Borrower for the Project (whether or not their services are financed under the Loan), the scope of their services, and such of the firms' personnel assigned to the Project as A.I.D. may specify shall all be acceptable to A.I.D.

Section 6.07. *Plans, specifications and contracts.* A.I.D. reserves the right to review and/or approve, upon written request from A.I.D.:

- (a) any plans, specifications, construction schedules, bid documents, and contracts relating to the Project (and any modifications therein), relating to activities which are to be financed by A.I.D., together with such documentation for any goods or services which, though not financed by A.I.D., are of critical importance to the Project. Aspects of the Project involving matters under this subsection will be identified in Implementation Letters;
- (b) bid documents and documents related to the solicitation of proposals for goods and services financed under the Loan; and
- (c) contracts financed by A.I.D. for engineering and other professional services, for construction services, and for such other services, equipment or materials as may be specified in Implementation Letters, together with any contracts or contractors identified under subsection (a) above. Material modifications in such contracts are subject to this provision.

Section 6.08. *Reasonable price.* No more than reasonable prices shall be paid for any goods or services financed, in whole or in part, under the Loan as more fully described in Implementation Letters. Such items shall be procured on a fair and, except for professional services, on a competitive basis in accordance with procedures therefor prescribed in Implementation Letters.

Section 6.09. *Third-country nationals on construction contracts.* The employment of personnel to perform services under construction contracts financed by A.I.D. is subject to certain requirements, which will be described in Implementation Letters as necessary, with respect to nationals of countries other than Bolivia and countries included in Code 941 of the A.I.D. Geographic Code Book as in effect when the contract is entered into.

Section 6.10. *Shipping and insurance.* (a) Selected Free World Goods financed under the Loan shall be transported to the Republic of Bolivia on flag carriers of any country included in Code 935 of the A.I.D. Geographic Code Book as in effect at the time of shipment.

(b) Unless A.I.D. shall determine that privately owned United States-flag commercial vessels are not available at fair and reasonable rates for such vessels:

- (i) at least fifty percent (50%) of the gross tonnage of Selected Free World goods financed under the Loan and transported on ocean vessels from United States ports (computed separately for dry bulk carriers, dry cargo liners, and tankers) shall be transported on privately owned United States-flag commercial vessels; and at least fifty percent (50%) of the gross freight revenue generated by ocean shipments of Selected Free World goods financed under the Loan and transported on dry cargo liners from United States ports shall be paid to or for the benefit of privately owned United States-flag commercial vessels; and
- (ii) at least fifty percent (50%) of the gross tonnage of all Selected Free World goods financed under the Loan and transported on ocean vessels from non-United

States ports (computed separately for dry bulk carriers, dry cargo liners and tankers) shall be transported on privately owned United States-flag commercial vessels, and at least fifty percent (50%) of the gross freight revenue generated by ocean shipments of Selected Free World goods financed under the Loan and transported on dry cargo liners from non-United States ports shall be paid to or for the benefit of privately owned United States-flag commercial vessels. No such goods may be transported on any ocean vessel (or aircraft) which (i) A.I.D., in a notice to the Borrower, has designated as ineligible to carry A.I.D.-financed goods or (ii) has been chartered for the carriage of A.I.D.-financed goods unless such charter has been approved by A.I.D.

(c) Marine insurance on Selected Free World goods may be financed under the Loan with disbursements made pursuant to section 7.01, provided (i) such insurance is placed at the lowest available competitive rate in the Republic of Bolivia or in a country included in Code 941 of the A.I.D. Geographic Code Book as in effect at the time of placement and (ii) claims thereunder are payable in freely convertible currency. If, in connection with the placement of marine insurance on shipments financed under United States legislation authorizing assistance to other nations, the Republic of Bolivia, by statute, decree, rule or regulation, favors any marine insurance company authorized to do business in any state of the United States of America, Selected Free World goods financed under the Loan shall, during the continuance of such discrimination, be insured against marine risks in the United States of America with a company or companies authorized to do marine insurance business in any state of the United States of America.

(d) The Borrower shall insure, or cause to be insured, all Selected Free World goods financed under the Loan against risks incident to their transit to the point of their use in the Project. Such insurance shall be issued upon terms and conditions consistent with sound commercial practice, shall insure the full value of the goods, and shall be payable in the currency in which such goods were financed or in any freely convertible currency. Any indemnification received by the Borrower under such insurance shall be used to replace or repair any material damage or any loss of the goods insured or shall be used to reimburse the Borrower for the replacement or repair of such goods. Any such replacements shall have their source and origin in countries included in Code 941 of the A.I.D. Geographic Code Book as in effect at the time orders are placed or contracts are entered into for such replacements, and shall be otherwise subject to the provisions of this Agreement.

Section 6.11. *Notification to potential suppliers.* In order that all United States firms shall have the opportunity to participate in furnishing goods and services to be financed under the Loan, the Borrower shall furnish to A.I.D. such information with regard thereto, and at such times, as A.I.D. may request in Implementation Letters. Borrower may also simultaneously provide such procurement data to firms in other eligible countries.

Section 6.12. *Information and marking.* Borrower shall give publicity to the Loan and the Project as a joint Republic of Bolivia-United States undertaking in furtherance of the Alliance for Progress and shall identify the Project sites and mark goods and construction financed under the Loan as prescribed in Implementation Letters.

Section 6.13. *U.S. Government-owned excess property.* The Borrower will consider using for the Project new or reconditioned United States Government-owned

excess property which is suitable for the Project and available on a timely basis. Funds under the Loan may be used to finance the costs of obtaining such property for the Project.

#### *Article VII. DISBURSEMENTS*

Section 7.01. *Disbursement for United States dollar costs — Letters of Commitment to United States banks.* Upon satisfaction of conditions precedent, the Borrower may, from time to time, request A.I.D. to issue Letters of Commitment for specified amounts to one or more United States banks, satisfactory to A.I.D., committing A.I.D. to reimburse such bank or banks for payments made by them to contractors or suppliers, through the use of Letters of Credit or otherwise, for dollar costs of goods and services procured for the Project in accordance with the terms and conditions of this Agreement. Payment by a bank to a contractor or suppliers will be made by the bank upon presentation of such supporting documentation as A.I.D. may prescribe in Letters of Commitment and Implementation Letters. United States banking charges incurred in connection with Letters of Commitment and Letters of Credit shall be for the account of the Borrower and may be financed under the Loan.

Section 7.02. *Disbursements for peso boliviano costs.* Upon satisfaction of conditions precedent, the Borrower may, from time to time, request disbursement by A.I.D. of pesos bolivianos for peso boliviano costs of goods and services (including sublending) procured for the Project in accordance with the terms and conditions of this Agreement by submitting to A.I.D. such supporting documentation as A.I.D. may prescribe in Implementation Letters. A.I.D. shall make such disbursements from pesos bolivianos owned by the U.S. Government and obtained by A.I.D. with United States dollars. The United States dollar equivalent of the pesos bolivianos made available hereunder will be the amount of United States dollars required by A.I.D. to obtain the pesos bolivianos.

Section 7.03. *Exchange rate.* The rate of exchange to be used hereunder in any instance where conversion of United States dollars to pesos bolivianos, or vice versa, is required shall be that official rate of exchange which on the date of such conversion yields the largest number of pesos per dollar.

Section 7.04. *Other forms of disbursement.* Disbursements of the Loan may also be made through such other means as the Borrower and A.I.D. may agree to in writing.

Section 7.05. *Date of disbursement.* Disbursements by A.I.D. shall be deemed to occur (a) in the case of disbursements pursuant to section 7.01 on the date on which A.I.D. makes a disbursement to the Borrower, to its designee, or to a banking institution pursuant to a Letter of Commitment, (b) in the case of disbursements pursuant to section 7.02 on the date on which A.I.D. disburses the pesos bolivianos to the Borrower or its designee, and (c) in the case of disbursements pursuant to section 7.04, on the date [on which] value is transferred to the Borrower by A.I.D.

Section 7.06. *Terminal date for disbursement.* Except as Borrower and A.I.D. may otherwise agree in writing, no Letter of Commitment, or other commitment documents which may be called for by another form of disbursement under section 7.04, or amendment thereto, shall be issued in response to requests received by A.I.D. after 42 months from the date of signing of this Agreement, and no disbursement shall

be made against documentation received by A.I.D. or any bank described in section 7.01 after 48 months from the date of signing of this Agreement. A.I.D. at its option, may, at any time, or times after 48 months from the date of signing of this Agreement, reduce the Loan by all or any part thereof for which documentation was not received by such date.

*Article VIII. CANCELLATION AND SUSPENSION*

Section 8.01. *Cancellation by the Borrower.* The Borrower may, with the prior written consent of A.I.D., by written notice to A.I.D. cancel any part of the Loan (i) which, prior to the giving of such notice, A.I.D. has not disbursed or committed itself to disburse or (ii) which has not then been utilized through the issuance of irrevocable Letters of Credit or through bank payments made other than under irrevocable Letters of Credit.

Section 8.02. *Events of default; acceleration.* If any one or more of the following events (“Events of Default”) shall occur:

- (a) the Borrower shall have failed to pay when due any interest or installment of Principal required under this Agreement;
- (b) the Borrower or any of its constituent agencies or entities shall have failed to comply with any other provision of this Agreement, including, but without limitation, the obligation to carry out the Project with due efficiency;
- (c) the Borrower shall have failed to pay when due any interest or any installment of Principal or any other payment required under any other loan agreement, or any other agreement between the Borrower or any of its agencies and A.I.D. or any of its predecessor agencies;

then A.I.D. may, at its option, give to the Borrower notice that all or any part of the unrepaid Principal shall be due and payable sixty (60) days thereafter, and unless the Event of Default is cured within such sixty (60) days:

- (i) such unrepaid Principal and any accrued interest hereunder shall be due and payable immediately; and
- (ii) the amount of any further disbursements made under outstanding irrevocable Letters of Credit or otherwise shall become due and payable as soon as made.

Section 8.03. *Suspension of disbursement.* In the event that at any time:

- (a) an event of default has occurred;
- (b) an event occurs that A.I.D. determines to be an extraordinary situation that makes it improbable either that the purpose of the Loan will be attained or that the Borrower or any of its constituent agencies or entities will be able to perform its obligations under this Agreement;
- (c) any disbursement by A.I.D. would be in violation of the legislation governing A.I.D., or
- (d) the Borrower shall have failed to pay when due any interest or any installment of Principal or any other payment required under any other loan agreement or any other agreement between the Borrower or any of its agencies and the Government of the United States or any of its agencies;

then A.I.D. may, at its option:

- (i) suspend or cancel outstanding commitment documents to the extent that they have not been utilized through the issuance of irrevocable Letters of Credit or through bank payments made other than under irrevocable Letters of Credit, in which event A.I.D. shall give notice to the Borrower promptly thereafter;
- (ii) decline to make disbursement other than under outstanding commitment documents;
- (iii) decline to issue additional commitment documents;
- (iv) at A.I.D.'s expense, direct that title to goods financed under the Loan shall be transferred to A.I.D. if the goods are from a source outside the Republic of Bolivia, are in a deliverable state and have not been off-loaded in the Republic of Bolivia or in such ports outside of Bolivia, where, pursuant to international agreement, such goods became Bolivian property.

Any disbursement made or to be made under the Loan with respect to such transferred goods shall be deducted from Principal.

Section 8.04. *Cancellation by A.I.D.* Following any suspension of disbursement pursuant to section 8.03, if the cause or causes for such suspension of disbursements shall not have been eliminated or corrected within sixty (60) days from the date of such suspension, A.I.D. may, at its option, at any time or times thereafter, cancel all or any part of the Loan that is not then either disbursed or subject to irrevocable Letters of Credit.

Section 8.05. *Continued effectiveness of Agreement.* Notwithstanding any cancellation, suspension of disbursement, or acceleration of repayment, the provisions of this Agreement shall continue in full force and effect until the payment in full of all Principal and any accrued interest hereunder.

Section 8.06. *Refunds.* (a) In the case of any disbursement not supported by valid documentation in accordance with the terms of this Agreement, or of any disbursement not made or used in accordance with the terms of this Agreement, A.I.D., notwithstanding the availability or exercise of any of the other remedies provided for under this Agreement, may require the Borrower to refund such amount in United States dollars to A.I.D., within thirty (30) days after receipt of a request therefor. Such amount shall be made available first for the cost of goods and services procured for the Project hereunder, to the extent justified; the remainder, if any, shall be applied to the installments of Principal in the inverse order of their maturity and the amount of the Loan shall be reduced by the amount of such remainder. Notwithstanding any other provision in this Agreement, A.I.D.'s right to require a refund with respect to any disbursement under the Loan shall continue for five (5) years following the date of such disbursement.

(b) In the event that A.I.D. receives a refund from any contractor, supplier, or banking institution, or from any other third party connected with the Loan, with respect to goods or services financed under the Loan, and such refund relates to an unreasonable price for goods or services, or to goods that did not conform to specifications, or to services that were inadequate, A.I.D. shall first make such refund available for the cost of goods and services procured for the Project hereunder, to the extent justified; the remainder to be applied to the installments of Principal in the inverse order of their maturity, and the amount of the Loan shall be reduced by the amount of such remainder.

Section 8.07. *Expenses of collection.* All reasonable costs incurred by A.I.D., other than salaries of its staff, in connection with the collection of any refund or in connection with amounts due A.I.D. by reasons of the occurrence of any of the events specified in section 8.02 may be charged to the Borrower and reimbursed to A.I.D. in such manner as A.I.D. may specify.

Section 8.08. *Non-waiver of remedies.* No delay in exercising or omission to exercise any right, power or remedy accruing to A.I.D. under this Agreement shall be construed as a waiver of any of such rights, powers, or remedies.

#### *Article IX.* MISCELLANEOUS

Section 9.01. *Communications.* Any notice, request, document, or other communications given, made, or sent by the Borrower or by A.I.D. pursuant to this Agreement shall be in writing or by telegram, cable or radiogram, and shall be deemed to have been duly given, made or sent to the Party to which it is addressed when it shall be delivered to such Party by hand or by mail, telegram, cable, or radiogram at the following addresses:

To Borrower:

Mail address

Ministry of Finance  
La Paz, Bolivia

Cable address

MINFIN  
La Paz, Bolivia

With copies to

National Community Development Service  
La Paz, Bolivia

To A.I.D.:

Mail address

United States A.I.D. Mission to Bolivia  
c/o United States Embassy  
La Paz, Bolivia

Cable address

USAID  
AmEmbassy  
La Paz, Bolivia

Other addresses may be substituted for the above upon the giving of notice. All notices, requests, communications and documents submitted to A.I.D. hereunder shall be in English except as A.I.D. may otherwise agree in the first Implementation Letter.

Section 9.02. *Representatives.* For all purposes relative to this Agreement the Borrower will be represented by the individual holding or acting in the office of the Minister of Finance, the executing agency by the individual holding or acting in the office of the Director of the National Community Development Service, and A.I.D. will be represented by the individual holding or acting in the office of the Director USAID/Bolivia. Such individuals shall have the authority to designate additional representatives by written notice. In the event of any replacement or other designation

of a representative hereunder, the Borrower shall submit a statement of the representative's name and specimen signature in form and substance satisfactory to A.I.D. Until receipt by A.I.D. or Borrower of written notice of revocation of the authority of any of the duly authorized representatives designated pursuant to this section, the signature of any such representative or representatives on any instrument may be accepted as conclusive evidence that any action effected by such instrument is duly authorized.

Section 9.03. *Implementation Letters.* A.I.D. shall, from time to time, issue Implementation Letters that will prescribe the procedures applicable hereunder in connection with the implementation of this Agreement.

Section 9.04. *Promissory notes.* At such time or times as A.I.D. may request, the Borrower shall issue promissory notes or such other evidences of indebtedness with respect to the Loan, in such form containing such terms and supported by such legal opinions as A.I.D. may reasonably request.

Section 9.05. *English language controls.* In cases of ambiguity or conflict between the English and the Spanish versions of this Loan Agreement, the English version shall control.

Section 9.06. *Termination upon full payment.* Upon payment in full of the Principal, and of any accrued interest, this Agreement and all obligations of the Borrower and A.I.D. under this Loan Agreement shall terminate.

IN WITNESS WHEREOF, Borrower and the United States of America, each acting through its respective duly authorized representatives, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

The Government of Bolivia:

[Signed]

Gen. Brig. DAEM HUGO BANZER  
SUÁREZ

President of the Republic

[Signed]

Lic. CARLOS CALVO  
Ministry of Finance

[Signed]

Col. ALBERTO NATUSCH BUSCH  
Ministry of Rural Affairs  
and Agriculture

[Signed]

Col. GUSTAVO RAMÍREZ  
Director  
National Community  
Development Service

United States of America:

[Signed]

WILLIAM P. STEDMAN JR.

Ambassador

[Signed]

JOHN R. OLESON  
Director  
USAID/Bolivia

## ANNEX I PROJECT DESCRIPTION

### A. INTRODUCTION

Financing of the Project will be principally from three sources: the A.I.D. loan (\$7.5 million), the GOB and community contribution (\$17,781 million) and a Grant (\$2.29 million) the last of which will be further specified and agreed upon by Borrower and A.I.D. in a separate Project Agreement. The A.I.D. Grant contribution is considered an integral part of the Project and, therefore, is included here.

The expenditure of Project monies will focus on increasing the per capita income and improving the standard of living of the rural poor. In order to achieve this goal monies will be used: (i) to develop viable, zonal cooperative centrals (“Centrals”) and affiliated small farmer organizations (“SFO”);\* (ii) to strengthen the managerial and technical capabilities of the National Community Development Service (NCDS) and other cooperative development agencies; and (iii) to assist a small number of “non-cooperative” rural community groups in developing small enterprises and economic infrastructure projects.

The National Community Development Service (NCDS) is the Project’s principal executing agency. It will be responsible for selecting the participating SFOs, preparing pre-feasibility and feasibility studies for all projects to be financed with Project funds, channeling technical assistance to centrals and affiliated SFOs, training members and management of the participating centrals and SFOs, and administering the revolving credit and grant fund to be established with A.I.D. Project funds.

The National Cooperatives Institute (INALCO) will participate in the Project by registering organizations that meet legal requirements; auditing the books of participating zonal centrals and SFOs; and presenting accounting and bookkeeping courses at the NCDS training center. NCDS will establish the Revolving Credit Fund account at the Banco del Estado; the bank will disburse funds for approved projects and receive loan payments from SFOs. The Agriculture Extension service will provide some extension services support to agricultural activities under the Project.

The target area consists of Bolivian farmers who live and work principally in the Central and Southern *altiplano*, the valleys and the Yungas.\*\*

Within the Project area, from 10 to 14 zonal cooperative centrals will become suppliers of in-kind agricultural credit and other basic services to an estimated 210 affiliated small farmer organizations. It is anticipated that most of these zonal cooperative central organizations will be functioning entities by the end of the project, having professional management services, adequate bookkeeping, basic member services and an acceptable credit record (which will permit future access to normal credit channels); increased membership and capitalization; and no further need for additional GOB technical assistance in cooperative organizations.

Project funds also will be used to support the development of cooperative and, to a small degree, non-cooperative rural community groups’ economic infrastructure and small enterprises projects. Proposed cooperative and non-cooperative economic infrastructure projects include community roads, small irrigation projects, community bridges, river defenses, etc.

The target group consists of those rural Bolivian farmers who are members of small, rural community SFOs and other rural community groups. About 15,000 small farm families are expected to benefit directly from the Project. It is estimated that, over the life of the Project, approximately 66,000 SFO members and their families (or 10,500 small farm families) will be direct beneficiaries of the NCDS Cooperative Development Program and that an additional 30,800 *campesinos* from “non-cooperative” groups (or 4,900 small farm families)

\* SFOs are defined as small farmer pre-cooperative and cooperative organizations.

\*\* Refer to page 301, annex I, for a map of the target area.



also are expected to receive direct benefits from the Project. Most members of this target group farm approximately 3 hectares of land and earn less than \$180 per year.

Since it is the intention of the NCDS to replicate the program in other zones throughout the country, it is estimated that over a 10-year period approximately 240,000 *campesinos* will receive direct benefits from the Project (about 9 percent of the 2.8 million *campesinos* in the rural areas of the geographic focus).

The Project is further described by definition of project components outlined in section 1.02 of the Loan Agreement.

## B. PROJECT COMPONENTS

In order to achieve the purposes of the loan stated above, the following components will be financed from A.I.D. loan and grant funds.

### 1. *Revolving Credit Fund*

The creation of a Revolving Credit Fund which will be used to provide: (a) seed capital to zonal (and perhaps regional) cooperative centrals in support of their development, including credit for financing (i) the construction and equipping of simple cooperative headquarters and storage and other support facilities, (ii) the purchase of farm supplies to be provided as in-kind credit to affiliated local-level SFOs, and (iii) assistance in the marketing of products and other development-related activities such as consumer credit; and (b) financial assistance to SFOs affiliated with zonal cooperative centrals and other rural community organizations to develop small rural community-based enterprises and rural economic infrastructure projects (including small rural enterprises, dams, irrigation and river defense systems, small electrification networks, and roads and bridges) needed to increase employment and income opportunities and improve the welfare of beneficiaries in the target areas.

The Revolving Credit Fund will be subloaned to zonal central affiliated SFOs and non-cooperative small farmer organizations according to the following criteria:

1. The interest rate to be applied to all loans will be at least thirteen (13) percent.
2. The repayment period will vary according to the type of activity to be financed:
  - a) agricultural supply credit will be repayable over a 6- to 18-month period;
  - b) small rural enterprise and economic infrastructure financing will be repayable over an 18-month to five-year period.
3. Agricultural supply credit will be due and payable after the completion of the crop cycle, whereas the 18-month to five-year credit financing may include a grace period on loan interest and amortization of up to one year.
4. SFO members and members of other rural organizations can borrow up to \$2,000 and \$3,000 for short- and medium-term credit, respectively, per year.
5. All rural enterprise or economic infrastructure projects supported with A.I.D. loan and/or grant funding and costing in excess of \$50,000 will be approved jointly by A.I.D. and the NCDS. These ceilings will be reviewed annually by NCDS and A.I.D. to insure their reasonableness. Changes in the grant, loan or total Project cost levels will be made by Implementation Letter.

An illustrative financial plan denoting the sources of financing for each activity of this project component is as follows:

#### REVOLVING CREDIT FUND (US\$000)

	<i>AID Loan</i>	<i>AID Grant</i>	<i>GOB</i>	<i>Total</i>
Cooperative development credit . . . . .	3,500	—	—	3,500
Cooperative infrastructure and equipment . . . . .	200	—	300	500
Rural enterprises . . . . .	300	—	200	500
Economic infrastructure . . . . .	1,810	—	2,700	4,510
	5,810	—	3,200	9,010

## 2. Grant-funded assistance

Project funds will be used to establish a grant fund which will be used to: (a) subsidize on a declining basis over a three-year period\* the cost of hiring professional cooperative management at the zonal central level; (b) offset the cost of certain economic infrastructure projects where the SFO affiliated with a zonal central, other SFO, or non-cooperative rural community organization is unable to repay the subloan on the loan terms extended by the NCDS under the Revolving Credit Fund, but where the project has a favorable benefit/cost ratio when calculated over the longer term. A.I.D. funds will be mixed under this component to finance economic infrastructure projects such as small irrigation systems, bridges, roads, etc. The funding mix will be determined on the basis of the projected benefit/cost analysis, according to criteria to be determined by A.I.D. and the NCDS. The feasibility of this type loan/grant funding will be reviewed annually by A.I.D. and NCDS. Based upon this analysis, the NCDS and the Ministry of Finance will review requirements to replenish the Revolving Credit Fund and/or the Grant Fund as specified in section 5.02 (a) and (b) to the Loan Agreement. The Borrower will maintain both Funds at a level at least equal to the peso equivalent of dollars disbursed to the Funds. No more than 30% of any subproject's total cost shall be financed from A.I.D. Grant Funds.

An illustrative financial plan denoting the source of financing for this Project component is as follows:

GRANT-FUNDED ASSISTANCE (US\$000)				
	AID Loan	AID Grant	GOB	Total
Economic infrastructure .....	600	—	100	700

## 3. Campesino training program

Project funds will strengthen the NCDS' training capacity by: (a) purchasing equipment and improving facilities at the National Campesino Cooperative Training Center at Paracaya for (i) new, more sophisticated, *campesino* level cooperative development classes in cooperative management and organization, leadership, vocational skills and traditional community development materials, (ii) upgrading the Mujer Campesina Training Program to include home economics, family health, handicrafts and cooperative development and leadership classes for rural women, and (iii) seminars and conferences for personnel of the NCDS, Ministry of Campesino Affairs and Agriculture Extension (MACAG) and the National Cooperative Institute (INALCO) in the methods and procedures for implementing the NCDS Cooperative Development Program; (b) equipping the three remaining regional training centers and upgrading the Pillapi Center so that the centers can improve their training programs for *campesino* leaders (both male and female) in cooperative development and other activities similar to those activities to be introduced at the National Community Development Center at Paracaya; (c) financing certain training center costs (using GOB and loan funds only); and (d) contracting\* with Formación de Mano de Obra (FOMO), private institutions or individuals to present specialized vocational courses in tractor mechanics, pump repairs, handicraft activities, etc.

Yearly training plans will be discussed jointly by A.I.D. and NCDS prior to A.I.D. approval of loan or grant disbursements for this activity. Financial information denoting the source of funds for this component is included in the financial chart for the participant training component below.

\* Funding for this activity is included under the Technical Assistance Component of the Project Description.

#### 4. Participant training program

Project funds will be used to finance long-term university training for three NCDS employees to obtain masters degrees in management, finance and agriculture economics or other project-related subjects. The training will be used to improve the human resource base of NCDS. Additional international travel and in-country seminar training will be provided for approximately 300 NCDS personnel selected on criteria to be mutually agreed upon between NCDS and USAID. Project funds also will be used to enable the NCDS to support University Internships for students who will work for either NCDS or the private cooperative sector.

Training participants will be selected jointly by the NCDS and A.I.D. Training plans will be reviewed annually by A.I.D. and NCDS.

An illustrative financial plan, denoting the sources of financing for the training program and the participant training component is as follows:

"CAMPESINO" AND PARTICIPANT TRAINING PROGRAM  
(US\$000)

	AID Loan	AID Grant	GOB	Total
Materials and equipment .....	90	—	—	90
Training center renovation .....	30	—	—	30
Training center costs .....	130	—	200	330
In-country seminars .....	—	20	—	20
International travel .....	—	70	—	70
University internships .....	—	40	—	40
Participant training .....	40	—	—	40
	290	130	200	620

#### 5. Equipment and materials

Project funds will be used to provide: (a) vehicles, office equipment and other equipment to the NCDS to provide the additional items necessary for administering the new development program; (b) vehicles and office equipment to INALCO necessary to help it participate in the Cooperative Development Program; and (c) equipment for the regional and national cooperative federations during the latter part of the project. Equipment and materials purchase plans will be reviewed annually by A.I.D., NCDS and INALCO.

An illustrative financial plan, denoting the sources of financing for each activity of this project component, is as follows:

EQUIPMENT AND MATERIALS  
(US\$000)

	AID Loan	AID Grant	GOB	Total
Vehicles and office equipment, NCDS and INALCO .	600	—	45	645
Equipping federations and other cooperative organiza- tions .....	—	130	—	130
	600	130	45	775

#### 6. Technical assistance

Long-term grant funded technical assistance and short-term grant and loan-funded technical assistance will be provided to: (a) the NCDS in the areas of general management, project implementation, administration of cooperatives and cooperative training; (b) the INALCO in the registration and auditing of cooperatives and in statistics, in order to strengthen their capabilities for executing Project-related activities; and (c) the National and Regional level federations to strengthen their capabilities; and (d) the zonal centrals to obtain high-quality cooperative management expertise over a three-year period.

The long-term technical assistance to be provided under this Agreement is defined in detail in the Project Agreement of Apr. 28, 1976.

The following discussion identifies the nature of the proposed activities:

1. *The coordinator/cooperative organization management advisor.* This advisor is expected to act as the principal counterpart to the NCDS' *organizaciones campesinas* department chief at the national level. His functions will include: (i) assisting the Department in its planning and management activities; (ii) coordinating contract team members' activities; (iii) serving as co-advisor to the National Cooperative Credit Committee and NCDS *Campesino* Cooperative Advisory Committee; and (iv) providing cooperative business administration assistance to the NCDS national and four regional offices. The advisor will work for an estimated four years with the Project.

2. *Program economist.* This advisor will advise and assist the NCDS' *organizaciones campesinas* department and its Program Office at the national level in: (i) the design of manuals and guides for the preparation of cost benefit studies on income-generating sub-projects, i.e., irrigation works, small industry and cooperative production activities; (ii) the training of personnel in project analysis and the preparation of feasibility studies; and (iii) helping to provide uniform standards to the overall planning and budgeting process in the Program Office. The advisor will work for an estimated four years with the Project.

3. *Four regional cooperative credit/development advisors.* The advisors will assist the NCDS regional offices in Cochabamba, Sucre, La Paz and Oruro and the participating zonal centrals in their cooperative development programs. These advisors will assist the NCDS regional and zonal technicians in: (i) the formation and organization of regional credit committees; (ii) credit decisions; (iii) credit management problems; (iv) preparation of feasibility studies; (v) project implementation; and (vi) cooperative management and administration. They will also provide on-site technical assistance to the zonal centrals for 137 manmonths including 43 manmonths in Cochabamba, 39 manmonths in Potosí, 31 manmonths in Sucre and 24 manmonths in La Paz.

4. *Cooperative training advisor.* The individual will work with the NCDS Promotion and Training Department and *organizaciones campesinas* at national level and the four regional training centers for an estimated two and one-half years. Given the importance of training activities at the Paracaya Center, priority emphasis will be placed on training activities at this center. Specific responsibilities include to (i) develop course curriculum, appropriate teaching methodology, and education training aids related to cooperative management and other activities; (ii) work with the training center instructors to improve teaching techniques; (iii) participate in the development of course outlines and material for training center classes; and (iv) design publications and cooperative promotion materials.

5. *Rural women advisor.* The individual will work with the NCDS Rural Women Promotion Division Chief at national level for an estimated one and one-half years to maximize the participation of the *mujer campesina* training center graduates in NCDS activities. The advisor will help to develop: (i) expanded female socio-economic training programs; (ii) new curricula; (iii) improved teaching and demonstration methodology to assure that more appropriate training and demonstrations programs are provided; and (iv) improved instruction techniques and practical demonstration methodology to the home demonstration specialists so that appropriate instruction is provided in such areas as home industry, handicrafts, and cooperative development.

6. *Cooperative/registration, statistics, and program advisor.* The advisor will work with INALCO at the national level for one year to help improve procedures related to the registration of cooperative and zonal central cooperatives and to improve statistical reporting functions. The advisor will work with the Director of INALCO and his staff in the following activities: (i) developing a more efficient and prompt system for insuring legal registration of cooperatives, zonal centrals, and regionals; (ii) developing a statistical information system

based on the activities of registered cooperatives that will provide accurate information on their volume of operations, financial activity, project benefits and other basic management responsibilities; and (iii) developing socio-economic information within the cooperative sector for utilization in the overall evaluation of cooperatives and for overall national planning purposes.

Grant- and loan-funded short-term technical assistance will focus on various types of activities to be agreed upon by A.I.D. and the participating entities. Overall technical assistance needs will be reviewed annually by A.I.D. and NCDS.

NCDS short-term loan funded technical assistance includes, but is not limited to, the following activities:

1. *Project evaluation assistance.* This short-term assistance will help to revise the NCDS evaluation system to provide better evaluative data on new Project activities and on the impact of projects on the target group.

2. *Improving internal management operations.* Short-term technical assistance will be provided to make internal administrative operations more efficient. This assistance will focus on accounting procedures, business machine programming, budget programming and other problems related to NCDS administrative procedures.

3. *Purchasing and marketing assistance.* This assistance will be provided to NCDS and to the cooperatives to improve procurement procedures for the purchase of supplies, to establish a system for storing agriculture crops, and to improve forecasting techniques to identify new marketing opportunities and trends.

4. *Irrigation design work.* The services of a Bolivian engineer or consulting firm will be obtained to assist in the design of irrigation and other complicated engineering projects.

5. *Basic vocational and handicraft skills.* FOMO or a similar organization will be used to provide classes in vocational and handicraft skills.

Grant funds will be used to finance an additional 34 manmonths of short-term management and organizational development type technical assistance activities by public and private organizations (other than NCDS) in support of private *campesino* groups.

It is anticipated that the National Federation of Bolivian Agricultural Cooperatives, regional agricultural cooperatives, INALCO and other organizations will use these funds to improve their organizational capability in support of *campesino* cooperative development.

In addition, grant funds will be used to hire qualified zonal level management personnel. This activity will be supported on a declining basis over a three-year period. A.I.D. will approve management personnel prior to their employment.

An illustrative financial plan denoting the sources of financing for this project component is as follows:

TECHNICAL ASSISTANCE  
(US\$000)

	AID Loan	AID Grant	GOB	Total
Technical assistance				
Long term (including salaries and logistical support activities) . . . . .	—	1,690	—	1,690
Short term . . . . .	200	242	—	442
Cooperative managers . . . . .	—	98	—	98
	200	2,030	—	2,230

## C. SUMMARY OF THE FINANCIAL PLAN AND GOB CONTRIBUTION

Utilization of Project funds	AID Loan	AID Grant	GOB	Total
1. Revolving credit . . . . .	5,810	—	3,200	9,010
2. Grant-funded assistance . . . . .	600	—	100	700
3. <i>Campefino</i> training program; and				
4. Participant training program . . . . .	290	130	200	620
5. Equipment and materials . . . . .	600	130	45	775
6. Technical assistance . . . . .	200	2,030	—	2,230
7. Personnel and operating costs and traditional social infrastructure program support . . . . .	—	—	14,236	14,236
	<u>7,500</u>	<u>2,290</u>	<u>17,781</u>	<u>27,571</u>

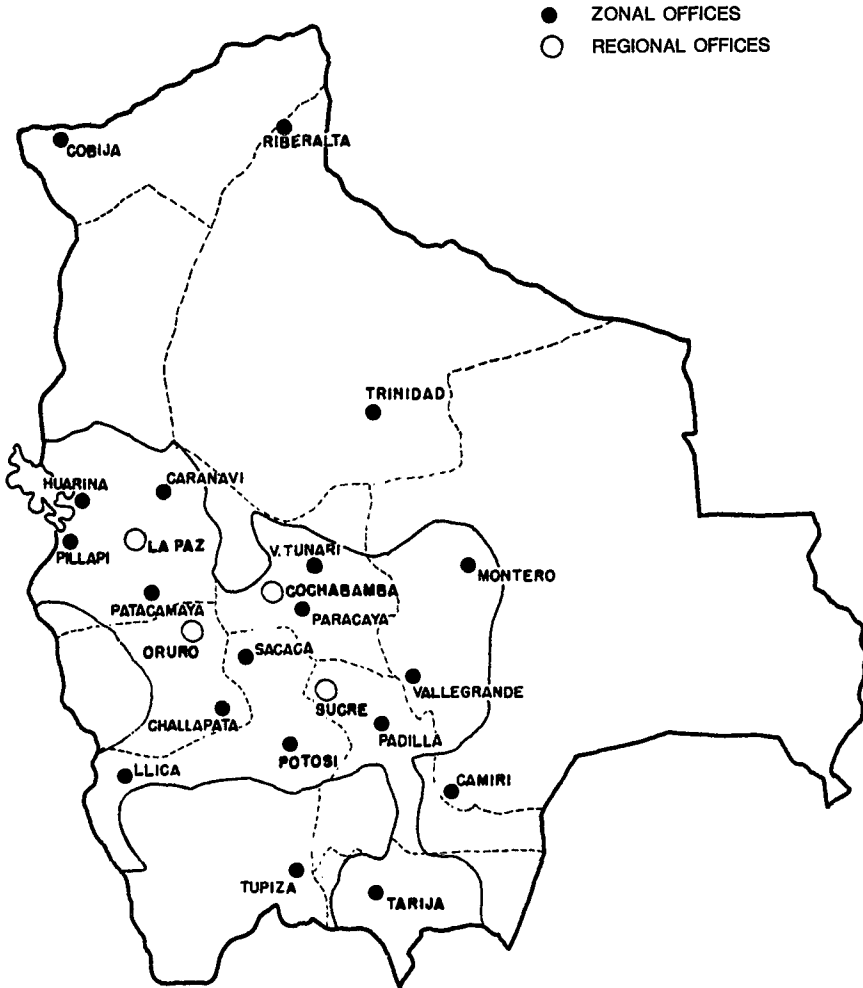
## D. TIMING OF PROPOSED GOB AND COMMUNITY DISBURSEMENTS

ESTIMATED TIMING OF HOST COUNTRY CONTRIBUTION  
(US\$000)

	1976	1977	1978	1979	Total
<b>GOB</b>					
<i>Campefino</i> and participant training program . . . . .	40	48	52	60	200
Equipment and materials . . . . .	20	10	8	7	45
Personnel . . . . .	2,000	2,100	2,205	2,315	8,620
Operating costs . . . . .	338	355	384	423	1,500
Social infrastructure program costs and other costs	610	667	734	805	2,816
Sub-total	<u>3,008</u>	<u>3,180</u>	<u>3,383</u>	<u>3,610</u>	<u>13,181</u>
<b>Community</b>					
Revolving fund credit . . . . .	320	1,024	1,280	576	3,200
Grant-funded assistance . . . . .	13	24	39	24	100
Social infrastructure program costs . . . . .	280	308	339	373	1,300
Sub-total	<u>613</u>	<u>1,356</u>	<u>1,658</u>	<u>973</u>	<u>4,600</u>
<b>TOTAL</b>	<u>3,621</u>	<u>4,536</u>	<u>5,041</u>	<u>4,583</u>	<u>17,781</u>

As estimated, the GOB contribution is the equivalent of US\$17.8 million; of this amount the equivalent of US\$4.6 million is denoted as "community" contribution, separate from the MACAG and NCDS budget requirements. This amount will represent the community contribution, including labor, material and cash. In addition to this community contribution, the GOB will provide the equivalent of approximately US\$13.2 million in new, budgeted cash, in-kind contribution and on-going budgetary support for the project. The GOB incremental contribution to the project is in direct support to the project and will not be used to support the implementation of any other project.

The GOB will provide funds for (i) all NCDS salary costs, (ii) all NCDS operational costs, and (iii) the costs (US\$2.8 million) associated with carrying out the traditional NCDS Social Infrastructure Program, and (iv) US\$200,000 to cover training-related expenses such as food, per diem, and other costs. The GOB will provide funds to cover approximately 33% of the costs of the *campefino* training program and to purchase equipment. The total GOB contribution is incremental to previous NCDS budgets.



SMALL FARMER ORGANIZATIONS AREA OF CREDIT INFLUENCE