

No. 16311

**UNITED STATES OF AMERICA
and
BOLIVIA**

**Loan Agreement relating to Rural Education I (with annexes).
Signed at La Paz on 29 December 1975**

Authentic texts: English and Spanish.

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

**ÉTATS-UNIS D'AMÉRIQUE
et
BOLIVIE**

**Accord de prêt relatif à l'Éducation rurale I (avec annexes).
Signé à La Paz le 29 décembre 1975**

Textes authentiques : anglais et espagnol.

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

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ALLIANCE FOR PROGRESS LOAN AGREEMENT¹ BETWEEN THE REPUBLIC OF BOLIVIA AND THE UNITED STATES OF AMERICA (RURAL EDUCATION I)

Date: December 29, 1975

A.I.D. Loan No. 511-V-054

LOAN AGREEMENT dated December 29, 1975, 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 four million nine hundred twenty-four thousand United States dollars (US\$ 4,924,000) ("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 peso boliviano costs ("Peso Costs") of 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 Ministry of Education and Culture ("MEC") to finance four major programs needed to improve the educational delivery system to rural communities and to make education in rural communities more relevant to the economic and social development needs of 20 rural communities in the Department of Cochabamba, namely:

1. a rural teacher education and in-service training program;
2. a curricula reform and materials improvement program;
3. the redesigning, remodeling and expansion of multipurpose nuclear schools and the Rural Normal School at Vacas; and
4. a wide range of rural, community-oriented, non-formal educational projects.

The Project is more fully described in Annex I attached hereto, which 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 also will pay to A.I.D. a penalty on any due and unpaid interest at the rate of three percent (3%) per

¹ Came into force on 29 December 1975 by signature.

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 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 to A.I.D. the Principal 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 SA12, 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 DISBURSEMENT

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 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) a time-phased implementation and evaluation plan for the Project which will include, *inter alia*: (i) a description of the manner in which MEC offices and various other Bolivian ministries and institutions will participate in the Project, including signed interministerial agreements describing each ministry's participation in the Project; (ii) a financial plan for the Project, including the

Borrower's contribution to the Project during the disbursement period of the Loan and the financial plan of other ministries as they relate to this project; (iii) a description of how each Project element will be implemented as well as how the District Education Development Center (DEDC) in Cochabamba will function; (iv) a description of the bilingual education program to be employed in the 20 Project nuclear school communities, along with a ministerial resolution establishing a Bilingual Education Office in Cochabamba and La Paz; (v) a description of how the MEC will establish and maintain curriculum reform and material development teams and the Non-Formal Education Working Groups; (vi) a plan to establish a teacher incentives program which will test alternative incentives as a means of retaining qualified rural teachers; (vii) an evaluation plan identifying how and when the progress of each activity is to be measured; and (viii) all legal documentation required for the orderly accomplishment of the purposes of the Project;

- (d) evidence of the design and establishment of an adequate administrative and accounting system within the MEC to be employed to administer Project funds;
- (e) evidence of the appointment of qualified personnel to the Rural Normal School at Vacas;
- (f) evidence that the MEC has delegated to the Departmental Director of Rural Education in Cochabamba authority to assign, in coordination with the Project Manager (Cochabamba), teachers to rural schools in Cochabamba.

Section 3.02. *Conditions precedent to disbursements for specific purposes other than new construction.* Prior to any disbursement or the issuance of any commitment documents in excess of the aggregate amount of \$500,000, 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) evidence that the MEC has established and staffed the position of Supervisor of Rural Normal Schools in the Department of Cochabamba;
- (b) evidence of a PERT chart or similar projection showing the critical components of Rural Education I and the relation of these components to the Educational Management and Instructional Development Loan (511-V-051) and the proposed Rural Education II and III Projects;
- (c) evidence that a departmental level Project Implementation Team has been established under the supervision of a project coordinator and including qualified specialists in teacher training, curriculum reform, bilingual education, in-service teacher training and non-formal education and that local technical assistance has been hired as described in section 5.02 (c);
- (d) evidence that the MEC has revised Vacas Rural Normal School admission policies to favor the admission of rural students who are sons and daughters of campesinos and has also established a scholarship program providing full financial assistance to those students;
- (e) a list of key Bolivian personnel who will be working on the Project acceptable to A.I.D.;
- (f) evidence that the MEC has provided A.I.D. with a detailed analysis of the MEC budget within six months of initial disbursement of the Loan which will include a

plan for increasing the budgetary resources to be provided to rural education from 30% to 40% of the MEC budget by 1978.

Section 3.03. *Conditions precedent to disbursement for new construction.* Except as A.I.D. may otherwise agree in writing prior to any disbursement or the issuance of any commitment document under the Loan for any individual new construction activity, Borrower shall submit to A.I.D., in form and substance satisfactory to A.I.D.:

- (a) evidence that the MEC has free and clear title to the land upon which construction is to take place;
- (b) final plans, specifications, official cost estimates, and a detailed construction schedule;
- (c) proposed construction contracts, if any, for the work;
- (d) a maintenance plan for the facility to be constructed;
- (e) the name of the Project Engineer and the Construction Superintendent for prior USAID approval; and
- (f) an agreement between the Community and the MEC describing the community contribution to the construction activity.

Section 3.04. *Condition precedent to continuing disbursement — budget allocations.* Except as A.I.D. may otherwise agree in writing, prior to any disbursement or issuance of any commitment documents under the Loan after March 31 of each year of the disbursement period 1976-1978 for any purpose other than to pay salaries under existing contracts being financed by the Loan and to make payments due under 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 MEC for the current year.

Section 3.05. *Terminal dates for meeting conditions precedent to disbursements.* The conditions precedent specified in sections 3.01 and 3.02 shall be met within the number of days after signing of this Loan Agreement as set out below unless A.I.D. shall otherwise agree in writing:

— section 3.01, 120 days;

— section 3.02: subsection (a), 120 days; subsection (b), 150 days; subsection (c), 180 days; subsection (d), 120 days; subsection (e), 180 days; subsection (f), 180 days.

In the event any condition precedent above listed is not met by the time indicated, or other date agreed to by A.I.D. in writing, A.I.D. may, at its option, terminate this Agreement by giving written notice to the Borrower. Upon giving of such notice, this Agreement and all obligations of the Parties, with the exception of repayment of amounts disbursed, if any, and interest thereon, 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 and 3.02 have been met, when, as to each construction project, the conditions precedent to disbursement specified in section 3.03 have been met, and, each year, when the conditions precedent of section 3.04 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, specifications, regulations, contracts, schedules, and other arrangements, and with all modifications therein, approved by A.I.D.

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 transaction 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) the receipt and use made of goods and services acquired with funds disbursed pursuant to this Agreement;
- (b) the nature and extent of solicitations of prospective supplies of goods and services acquired;
- (c) the basis of the award of contracts and orders to successful bidders; and
- (d) 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 purposes relating to the Loan.

Article V. SPECIAL COVENANTS AND WARRANTIES

Section 5.01. *Borrower's contribution.* Borrower agrees to provide as its contribution to the Project the equivalent of at least three million dollars (US\$3,000,000).

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

- (a) incorporate in-service and other teaching training programs included in this Project into the MEC's existing professional training and development program and provide salary increases under the *escalafón* system based upon successful completion of training programs by rural teachers in Bolivia;
- (b) continue the operation of such professional committees and activities as Curriculum and Material Development Teams and Non-formal Education Working Groups established under section 3.01 (c) of this Loan Agreement;
- (c) provide funds for Bolivian technical assistance to the maximum extent possible from outside of the MEC to finance the following key positions: Bilingual Education Specialists (2), Educator/Linguist; Curriculum and Materials Technician; Non-formal Education Technical Coordinator; Rural Normal School Technician; Communications Technology (including radio);
- (d) insure that communities will be assisted in negotiating and signing contracts for the services available from other agencies to provide technical assistance on specific community projects;
- (e) maintain at the departmental level a Project Implementation Team under the direction of the project manager, and including qualified specialists in teacher education, curriculum development, bilingual education, in-service teacher training and non-formal education;
- (f) provide continued support to the scholarship program at the Rural Normal School at Vacas to facilitate the attendance of students from *campesino* families;
- (g) develop a practically oriented, rural education training program (including agriculture, crafts, health and home sciences) which includes teacher training and appropriate instructional materials for grades one through eight;
- (h) establish an accounting system within MEC based on the new Ministry of Finance accounting manual;
- (i) conduct annual meetings with appropriate USAID officials to review and evaluate the progress of the Project and determine whether additional measures may be necessary to improve Project Implementation.

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 be 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 the 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.* In order for there to be mutual agreement on the following matters, and except as the Parties may otherwise agree in writing:

(a) The Borrower will furnish to A.I.D. upon preparation:

- (1) any plans, specifications, construction schedules, official cost estimates, bid documents, contracts and agreements relating to the Project (and any modifications therein), which are to be financed by A.I.D., together with
- (2) 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 (a)(2) 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 will be approved by A.I.D. in writing prior to their issuance, and their terms will include United States standards and measurements; 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)(2) above, will be approved by A.I.D. in writing prior to their execution. 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 include 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 of any country over 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 replacement 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 supplier 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 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, and (b) in the case of disbursements pursuant to section 7.02, on the date on which A.I.D. disbursed the pesos bolivianos to the Borrower or its designee.

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 33 months from the date the conditions precedent to initial disbursement hereunder are met, and no disbursement shall be made against documentation received by A.I.D. or any bank described in section 7.01 after 36 months from the date the conditions precedent to initial disbursement are met. A.I.D. at its option may, at any time or times after 36 months from the date the conditions precedent to initial disbursement are met, 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 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 agreements, 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 installment 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

MINFINANZAS

La Paz, Bolivia

With copies to:

Ministry of Education and Culture
La Paz, Bolivia; and
The Institute of External Financing
c/o Ministry of Finance
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 Minister of Education and Culture, 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 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 evidence 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]

Cnl. DAEM VÍCTOR CASTILLO SUÁREZ
Minister of Finance

[Signed]

Tcnl. DEM WALDO BERNAL PEREIRA
Minister of Education
and Culture

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 AID loan (\$4,924 million), the GOB contribution (\$3 million) and a Grant (\$1.5 million) the last of which will be further specified and agreed upon by Borrower and AID in a separate Program Agreement. The AID Grant contribution is considered an integral part of the Project and, therefore, is included here.

The expenditure of Project monies will focus on increasing and bettering the educational services provided to students, teachers and community members through an improved educational delivery system to rural communities and will be used to make education in rural communities more relevant to their economic and social development needs. The direct recipients of Project activities are the estimated 11,077 rural students who will study under a revised curricula with new materials in the 20 participating nuclear school systems in the Department of Cochabamba; 108,000 out-of-school youth and adults in the area of influence of the 160 participating schools who will be offered non-formal education programs; the estimated 400 rural normal school students at the Rural Normal School of Vacas who will study under a new curricula that includes both formal and vocational education studies; and the estimated 500 rural teachers who will teach in the participating schools' sites through receiving in-service training in the use of curricula and materials.

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

B. PROJECT COMPONENTS

1. *Curriculum reform and preparation of learning materials*

Establish a curricula reform and materials improvement program that will examine general community learning needs, determine curricula changes and/or identify new subjects for formal and non-formal education, possibly under bilingual conditions.

This component includes the following activities:

a. Orientation seminar. To present an overview of the Project goals and methods and philosophical orientation; to create a favorable attitude toward bilingual education; and to encourage active participation of the teachers corps in education and community development.

b. Community surveys. A baseline data survey will collect information to be used by the MEC to make specific changes in the curriculum content of new materials. The survey will include a school profile, a community profile, community opinions of parents and teachers and a physical asset inventory of the rural schools.

c. Curriculum Development Commission. To work with the MEC and DEDC to rewrite the new curricula for grades 1-8 which will be used at the 20 Project school systems.

d. Bilingual education team. To use the skeletal curriculum prepared by the Curriculum Development Commission to prepare primary level textbooks for the first three grades in the 20 project schools using bilingual education techniques.

e. Upper grades materials development plan. To develop teaching/learning materials for the 4th through 8th grades.

f. Normal school curricula. To develop a curricular framework for rural normal school education. The formal education curricula will be substantially revised and new materials will be added. In addition a new crafts studies program will be created to prepare students as industrial arts and home science teachers in the central school grades one through eight with emphasis on grades six through eight. Other personnel from within the government (e.g., the Ministries of Agriculture and Health), as well as from the private sector will be sought as consultants to assist the MEC to prepare revised materials. Both the formal and crafts studies program will include new material in radio education technology and programming, bilingual education and non-formal education materials development.

g. Socio-linguistic research. To secure relevant data on school-community profiles, linguistic usage and cultural linguistic values and attitudes which are needed both for the development of bilingual education materials for this Project and for extension of the use of such materials on a national scale. The research organization will operate out of the Vacas Rural Normal School and will work with the institution to develop a research capability. An illustrative financial plan, denoting the sources of financing for each activity of this project component, is as follows:

(US\$000)

	<i>AID Loan</i>	<i>AID Grant</i>	<i>GOB</i>	<i>Total</i>
Equipment and materials	254	—	2	256
Training	53	—	—	53
Publications	160	—	—	160
Research	140	—	—	140
Project administration and implementation	87	—	500	587
Technical assistance	56	599	—	655
	750	599	502	1,851

2. *A rural teacher education and in-service training program*

The purpose of this component is to train rural teachers to meet the learning needs of rural students. The teacher education program will focus on students at the Rural Normal School of Vacas and an in-service training program to retrain the rural primary teachers participating in the Project.

The Loan will help finance the following activities:

a. Staff training courses. To familiarize the in-service training staff (members of the Curriculum Reform Commission and Bilingual Education Team plus the 10 remaining Rural School Directors) in materials to be used during the in-service training courses.

b. In-service training. For the 500 rural teachers in the 20 nuclear systems. This training program is projected for three consecutive summer vacation periods. It will include lectures, classes on curriculum reform techniques for upgrading teaching, practice teaching using newly developed materials and techniques, and methods for evaluating effectiveness of new materials. It is anticipated that in the fourth and fifth years of the project GOB funds will be used to explain new materials to a group of 65 sixth, seventh and eighth grade teachers. The teachers will study materials to be used in the rural general and crafts studies.

c. Short-term observation and specialized training. To expose rural teachers and other education personnel to the impact of bilingual education programs in other countries and to retrain specialists in certain aspects of the non-formal education program. These programs will be arranged by the MEC in La Paz and coordinated by the DEDC in Cochabamba.

d. Normal school students. The three-year teacher training course for normal school students will change its emphasis toward a more rural-oriented course of study and preparation. More consideration will be given to the relationship between the Rural Normal School and the rural environment, rural parent and rural child. The three-year crafts teaching course of study will prepare about 20 percent of the Rural Normal School student body to become technical teachers in agriculture, crafts, animal husbandry, health, sanitation, mechanics or home science activities. This program will enable the rural school system to become more responsive to the development needs of rural Bolivia.

e. Training for administrators. The DEDC will participate in the short-term training and observation programs in third countries, in the orientation seminars and subsequent teacher training programs. It also will participate in the community-specific training sessions and in continuous on-the-job training under MEC and technical assistance guidance.

f. Community-level training sessions. To train community members for skill acquisition necessary for local development activities. Training will focus on community organizations and their needs.

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

	(US\$000)			
	<i>AID Loan</i>	<i>AID Grant</i>	<i>GOB</i>	<i>Total</i>
Equipment and materials	1,328	—	300	1,628
Participant training	509	—	—	509
Technical assistance	162	675	—	837
Budget support staff salaries	—	—	1,389	1,389
	1,999	675	1,689	4,363

3. *Non-formal education*

The Project does not propose to select specific activities to be introduced in the community. After completing the community profiles the community and its teachers will review the results and discuss possible projects with a representative of the non-formal education working group. Together, they will assist the community resource group within the community to develop the selected activities. A typical community would be assisted by the following:

a. The "in place" staff, the rural teacher. The purpose of the non-formal education component is to provide an opportunity for out-of-school youth and adults to continue their education. The GOB budget support and community contributions for the Project provide funds for financing non-formal education activities identified by the community. For example, if the community wants to sponsor a literacy campaign to teach people Spanish or give a course in weaving in Quechua, the MEC, acting through the teacher, will be in a position to assist the communities to obtain these services. Most of the training will take place in the community.

b. Other groups. The non-formal education strategy also is based on the formation and development of the following groups:

(i) Non-formal education (NFE) working group — Ten technicians, working out of the Cochabamba DEDC, are to help communities establish programs of non-formal education by advising the intersectoral groups and individual communities on project feasibility and initiation, focusing on project scope, structure, organization and financing. They will coordinate with the field personnel of other Ministries and private agencies in the areas of health, agriculture and *campesino* development. The group's primary operational role will be to link the communities with the non-formal education organizations. This group also will be responsible for preparing non-formal education materials to be used under bilingual conditions or finding other organizations to do this. It will be semi-autonomous from the Cochabamba Rural Education Division in planning and implementation, but administratively dependent on the MEC for funding, office space and personnel.

(ii) The multisector group — Composed of officials from the Ministries of Health, Agriculture, National Community Development Service and Education, it also will include public and private organizations such as Radio San Rafael, the Adventist Mission, Cordeco and Fotrama. The group's functions will be: (1) to advise the non-formal education group on the feasibility of initiating projects and programs; (2) to voice the represented institutions' interests and plans, and especially their potential linkages to projects; and (3) to provide pertinent information on the individual agencies' programs and projects to insure that the advisory role produces economic results.

(iii) The community resources group — Charged with the day-to-day functioning of the local non-formal education program, this group will consist of program leaders, technical educators, participants, and representatives of the local government and the central and sectional schools. The resource group will be formed in conjunction with the community's request and its projection of its needs. The groups may use the community central and sectional schools as resource centers.

(iv) The Community Councils — The Council, selected from members of the community resource groups, and community leaders, would be responsible for initiating new community projects as well as for negotiating with other communities when planning joint projects or programs. The Council also will be in charge of arranging financing within the community for projects selected by the Community Resource Groups and negotiating agreements with the technical services organization that will work with the specific project. To foster the generation and exchange of information within and among communities, the strategy envisions a series of periodic meetings at regional and provincial levels where council members who are working with specific projects can meet with council representatives from other communities who work with similar projects to discuss strategies and solutions to problems as they surface.

c. Financial support. Non-formal education involves both skill training and project development activities. Two sources of funds will be available to support the community projects. Fund sources from within the Department of Cochabamba and a support fund provided from the GOB Budget. The financial support fund of \$100,000 allocated from the MEC budget will be disbursed for projects that are developed by the community. Approximately \$5,000 is available per nuclear school community. One half of the amount will be granted to the community. The other half will be provided on a matching fund basis. No hard and fast rules have been established as to the type of projects that will be eligible for funding. The non-formal education working group will look at each proposal in light of its relationship to non-formal education and its potential contribution to the economic development of the community.

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

(US\$ — 000)

	<i>AID Loan</i>	<i>AID Grant</i>	<i>GOB</i>	<i>Total</i>
Equipment and materials	38	2	24	64
Technical assistance	72	300	—	372
Research	21	12	7	40
Training	110	—	—	110
Project administration and implementation	—	—	479	479
	241	314	510	1,065

4. *Teacher incentive fund*

The Preliminary Education Sector Assessment and subsequent analyses have signaled the high loss rate of rural teachers as a major constraint to improving the quality and efficiency of public education in the rural areas. The program element is aimed at developing and testing low-cost, non-salary incentives which could be used by the MEC to encourage rural teachers to stay on the job. The following areas for experimentation are illustrative of the types of programs which may be supported from this fund:

a. Teacher housing. Funds will be made available to the communities and to the teachers themselves either to upgrade present housing or to construct completely new housing. Consideration also will be given to providing seed capital for a teachers' savings and loan association in Cochabamba to permit teachers to buy, own and improve their own properties. The object of this experimentation would be to permit the upgrading of teacher housing at the lowest possible cost to the MEC.

b. Financial incentives. In recognition of the MEC decision not to grant overall salary increases at this time, consideration will be given to channeling funds to teachers in support of both the formal and non-formal educational components of the project. Funds could be provided to communities to hire local school teachers to conduct after-hours classes and supervise community improvement projects. Funds also could be utilized to mobilize teachers to go to surrounding communities to provide similar services. The purpose of this financing would be to provide additional income to the teacher based on his special abilities and leadership role in the community.

c. Self and family improvement. Consideration will be given to providing seed capital to a teachers' cooperative-credit union. This organization operated by the teachers could provide personal loans tailored to the felt needs of the teachers, i.e., vehicle or motorcycle loans, educational loans and consumer credits, the object being to improve the teachers' access to more of the amenities of modern life.

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

	<i>AID Loan</i>	<i>AID Grant</i>	<i>GOB</i>	<i>Total</i>
Teacher incentive fund*	605	—	—	605

* Additionally \$68,000 of loan funds are included in the construction component for the teacher incentive fund.

5. *Construction*

Engineering and construction activities include: the renovation and construction of dormitories, dining and kitchen facilities, classrooms and laboratories at the rural normal school; skills-training shops and sanitary facilities at central schools; and repairs to 160 sectional schools.

Also to be constructed are modest living quarters for teachers and their families at the rural normal school. Repairs also will be made to the school's water, sewage and electrical systems.

All schools will be provided with a cement slab toilet facility, simply and hygienically constructed.

a. Central and sectional schools. The engineering and construction inputs are designed to improve existing facilities, to the maximum extent possible, in support of other Project objectives. The overall strategy for the central and sectional schools is threefold:

- (i) to provide adequate facilities for teaching;
- (ii) to improve the learning and teaching environment; and
- (iii) to introduce and/or improve minimum health and hygiene measures.

All construction at these schools will be performed on a community self-help basis under the supervision of the National Community Development Service (NCDS).

b. Rural Normal School of Vacas. At the Rural Normal School of Vacas, new construction will be undertaken to meet the planned needs of the Project. The objectives of the construction are: (i) to provide adequate teaching/learning and living facilities for students and teachers; (ii) to provide additional housing for in-service training of primary teachers; and (iii) to extend the activities of the Rural Normal School into the field of vocational, home economics and non-formal education.

c. Engineering and construction support. Project funds will be used to hire a Project Engineer and Construction Superintendent for three years beginning in 1976. The Project Engineer will work with NCDS to develop the self-help construction component of the Project and will have overall supervisory and management responsibilities for construction activities. The Construction Superintendent will be responsible for the actual construction and repair activities at each site. An illustrative financial plan denoting the sources of financing for each activity of this project component is as follows:

	(US\$000)			
	<i>AID Loan</i>	<i>AID Grant</i>	<i>GOB</i>	<i>Total</i>
Land and construction	1,229	—	294	1,523
Project engineer	60	—	—	60
Construction supervision	40	—	—	40
	1,329	—	294	1,623

C. TECHNICAL ASSISTANCE

The technical assistance to be provided under this Project is defined in detail in the Project Agreement of December 29, 1975.

The following discussion identifies the nature of the proposed activities:

a. The Bilingual Education Specialist position (not necessarily the personnel) funded initially under the Education Management and Rural Development Project will be continued under this Project. The advisor will work with curriculum reform and materials in the first three primary grades. This position will be funded for two and one-half years (beginning early 1977) beyond the 18 months of services funded under the Management Reform Project. He will be responsible for working with the Rural Normal School Advisor to develop bilingual materials for the Rural Normal School at Vacas and to develop achievement tests in indigenous languages with the short-term Education Consultants and local technicians. He also will work with the proposed socio-linguistic research study.

b. The following additional long-term technical advisory positions will be funded under this Project:

(i) The Regional Rural Education Advisor — Financing for this position will be provided under the Project, beginning in late 1977 for a period of three years.

(ii) Curriculum Development Advisor — A resident Curriculum and Instructional Materials Specialist, with professional experience in developing native culture, environment, language, and daily life components of primary school curriculum. The Advisor will work with the teams dedicated to this aspect of the Project during a period of five years, will collaborate with the Sociolinguistic Survey Team during execution of their work to identify cultural and daily life materials suitable for instructional uses; will contribute to teaching, curriculum redesign and materials preparation; and will assist in supervision of Quechua language instruction in the Normal School at Vacas.

(iii) Teacher Training Advisor — The Rural Normal School at Vacas will have the services of this Advisor throughout the life of the Project. He will be responsible for guiding the development of the curriculum, advising on texts and library materials, consulting on modern methodology and teacher education and maintaining liaison with the primary school curriculum and materials development teams.

(iv) Teacher Training Technical Skills Advisor — The Rural Normal School at Vacas also will have the services of this Advisor who will be responsible for development of the Rural Normal School's training track in technical education, especially for intermediate grades six, seven and eight in the rural primary schools. The Advisor will develop technical materials to be taught to Rural Normal School students and sixth, seventh and eighth grade technical teachers. The Advisor will work at the Normal School at Vacas for two years beginning in 1977.

(v) Educational Radio Specialist — This Advisor, for two years beginning in 1977, will supervise the development of radio as an effective communications tool in non-formal education. He will work with the Vacas Rural Normal School staff, DEDC personnel and representatives of the Ministries of Health and Agriculture to prepare programs in agriculture, animal husbandry, health, hygiene, sanitation and weather. In addition, programs in cultural and linguistic activities will be prepared under his guidance. The Rural Normal School's 1,000-watt broadcasting transmitter, purchased with Project funds, will broadcast technical and cultural information programs with content designed specifically for the *campesino*.

It is planned that the salaries, allowances and travel costs of the above-mentioned six advisors will be financed with AID grant funds. However, should such funds not be available in sufficient amount to pay the full costs of all those advisors, funds under this loan will be used to finance the difference.

c. In addition to the above, Project loan funds will be used to provide for short-term loan funded technical assistance as follows:

(i) Education materials — The DEDC will have the services of an education materials consultant for three months in 1977 and 1978. The consultant will work with the curriculum materials and bilingual teams on the articulation and content of primary school activities including the logical flow of skeletal curriculum, content of children's materials, and improvements that can be made to the materials prepared by the teams.

(ii) Evaluation of normal schools — During three months in 1976 a normal school consultant will evaluate the physical site, its facilities and use with particular emphasis on what improvements may need to be made and how they should be made. During three months in 1977 the consultant will focus on the qualitative aspects of education-organization and administration, curriculum, the faculty, the director, evaluation of teacher methodology and practice-teaching methods.

These two consulting periods are designed to give an accurate picture of the needs as well as progress made to meet the needs, to propose changes and to assist in the evaluation of the Project at the Rural Normal School.

(iii) Rural nuclear school consultant — The consultant will spend six man-months in 1977 evaluating the impact of the Project's efforts in the rural nuclear school system. He will evaluate the components of the Project and make specific recommendations for change that would be appropriate for this Project and future projects.

(iv) Non-formal education consultant — The non-formal education consultant will spend four months per year during the first three years of the Project working with the non-formal education group in Cochabamba. In coordination with the Regional Rural Education Advisor and Non-Formal Education Technical Coordinator, he will help to improve the non-formal education strategy and to prepare for its introduction into other geographic areas.

(v) Education consultants — The transfer of experience gained in the primary school and rural normal school component of Rural Education I needs to be carefully gauged. To this end, the Project will support the short-term assistance (20 m/m over three years) of two educational consultants. These educators will help develop a strategy for the transfer of Project activities in the primary schools and rural normal schools to other areas of the country. The strategy envisions the on-going efforts of long-term, short-term, GOB technical advisors and staff to seek methods of extension. The two advisors would help these groups synthesize the various approaches to accelerate the selection and initial implementation of a viable mechanism. In addition, the two consultants will work directly with the Ministry of Education and Culture for the purpose of studying the question of setting norms under conditions of regional diversity, and for setting up the staff in the Bilingual Office and Non-Formal Education Office and procedures for establishing and implementing those norms. These consultants will work with the MEC to begin to develop the structure, staff, and procedures that will be required to judge the value of Project's results in revising existing norms and diffusion strategies and to develop the strategy for extending the norms and strategies into other geographic areas.

d. GOB technical assistance. Since certain areas of the Project deal with topics in which Bolivian technicians have a great deal of training, the GOB will provide funds to establish technical positions to work with loan and grant funded technical advisors.

The GOB will establish the following positions:

(i) Bilingual Education Specialist — The specialist will work with personnel in the Ministry of Education "Bilingual Education Office" in La Paz for five years to develop the strategy through which bilingual education will be introduced into other geographic areas.

(ii) Educator/Linguist — The GOB will fund the position for five years in Cochabamba to coordinate bilingual education activities with other components of the Project especially within the DEDC hierarchy.

(iii) Bilingual Education Technician — The technician will work with the Bilingual Education Materials Team in Cochabamba and the Bilingual Education Specialist in La Paz to develop and adopt new techniques in bilingual education. The position will be funded for five years.

(iv) Curriculum and Materials Technician — The technician will help develop new materials for the Rural Education System in the DEDC in Cochabamba. The position will be funded for five years.

(v) Non-Formal Education Technician Coordinator — The coordinator will work for five years in Cochabamba with the non-formal education group. He will be responsible for coordinating non-formal education activities between the non-formal education group and the DEDC. He also will work with the Regional Rural Education Advisor and the short-term Non-Formal Education Consultant on the non-formal education portion of the baseline data survey and other activities.

(vi) Rural Normal School Technician — The technician will be assigned to the Rural Normal School at Vacas for five years. He will be responsible for working with the Rural Normal School Advisor and Rural Normal School Director in teacher and staff training and curriculum reform activities.

(vii) Radio Technician — The technician will work with the Education Radio Specialist at Vacas to develop radio programming methods for two years.

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

(US\$000)

	<i>AID Loan</i>	<i>AID Grant</i>	<i>GOB*</i>	<i>Total</i>
Curriculum and materials	56	599	—	655
Teacher training	162	675	—	837
Non-formal education	72	300	—	372
	<u>290</u>	<u>1,574</u>	<u>—</u>	<u>1,864</u>

* GOB Technical Assistance funds which total \$316,000 have been included in the Project Administration and Implementation title of the previous charts.

D. SUMMARY OF FINANCIAL PLAN AND GOB CONTRIBUTION

<i>Utilization of Project funds</i>	<i>AID Loan</i>	<i>AID Grant</i>	<i>GOB</i>	<i>Total</i>
1. Curriculum reform and preparation of learning materials	750	599	502	1,851
2. Rural teacher education and in-service training program	1,999	675	1,689	4,363
3. Non-formal education	241	314	510	1,065
4. Teacher incentives fund	605	—	—	605
5. Construction	<u>1,329</u>	<u>—</u>	<u>294</u>	<u>1,623</u>
	<u>4,924</u>	<u>1,588</u>	<u>2,995</u>	<u>9,507</u>

As estimated, the GOB contribution is the equivalent of US\$3 million; of this amount the equivalent of US\$500,000 is denoted as "Community" contribution, separate from MEC budget requirements. This amount will represent the community contribution to construction activities. In addition to this community contribution the GOB will provide the equivalent of approximately \$2.5 million in new budgeted, cash, in-kind contribution and on-going budgetary support for the project.

This contribution will be detailed for each year of the Project (1976-1978) as required by section 3.04 of the Loan Agreement.

TIMING OF PROJECT DISBURSEMENTS (US\$000)

	<i>1976</i>	<i>1977</i>	<i>1978</i>	<i>1979</i>	<i>1980</i>	<i>Total</i>
Curriculum improvement	635	486	424	194	112	1,851
Teacher training	1,315	1,305	974	384	385	4,363
Non-formal education	282	312	316	80	75	1,065
Teacher incentives	200	202	203	—	—	605
Remodeling and construction	<u>915</u>	<u>549</u>	<u>159</u>	<u>—</u>	<u>—</u>	<u>1,623</u>
	<u>3,347</u>	<u>2,854</u>	<u>2,076</u>	<u>658</u>	<u>572</u>	<u>9,507</u>

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

	<i>1976</i>	<i>1977</i>	<i>1978</i>	<i>1979</i>	<i>1980</i>	<i>Total</i>
Curriculum and materials	220	193	45	44	—	502
Teacher training	413	340	317	309	310	1,689
Non-formal education	168	169	168	5	—	510
Remodeling and construction	<u>150</u>	<u>125</u>	<u>19</u>	<u>—</u>	<u>—</u>	<u>294</u>
	<u>951</u>	<u>827</u>	<u>549</u>	<u>358</u>	<u>310</u>	<u>2,995</u>

ANNEX II

The following 20 rural nuclear systems in the Department of Cochabamba have been tentatively selected to participate in the Rural Education I Project:

<i>Rural nuclear school system</i>	<i>Province</i>	<i>Rural nuclear school system</i>	<i>Province</i>
1. Boquerón Kasa	Arani	11. Parajtito	Chapare
2. Cañadas	Arani	12. Cercado	Aiquile
3. Collpa Ciaco	Arani	13. Novillero	Aiquile
4. Piscomayu	Arani	14. Matarani	Arce
5. Sacambilla	Arani	15. Laimiña	Carrasco
6. Challa Cava	Arani	16. Tujma	Mizque
7. Koari	Arani	17. Piusilla	Ayopaya
8. Apillapampa	Capinota	18. Pokanche	Ayopaya
9. Candelaria	Chapare	19. Yayani	Ayopaya
10. Ibuelo	Chapare	20. Cocopata	Ayopaya

In addition, the following schools have been identified as possible alternative sites should changes need to be made in the above 20 systems:

<i>Rural nuclear school systems</i>	<i>Province</i>
1. Misicuni	Quillacollo
2. Quecoma	Jordán
3. Pjoko	Mizque

Other changes in project school systems may be made by written agreement between AID and the Ministry of Education and Culture.