

**No. 16440**

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**UNITED STATES OF AMERICA  
and  
CHILE**

**Loan Agreement for nutrition development (with annex).  
Signed at Santiago on 23 October 1975**

*Authentic text: English.*

*Registered by the United States of America on 13 February 1978.*

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

**Accord de prêt relatif à l'amélioration de la nutrition (avec  
annexe). Signé à Santiago le 23 octobre 1975**

*Texte authentique : anglais.*

*Enregistré par les États-Unis d'Amérique le 13 février 1978.*

## LOAN AGREEMENT<sup>1</sup> BETWEEN THE REPUBLIC OF CHILE AND THE UNITED STATES OF AMERICA FOR NUTRITION DEVELOPMENT

Dated: October 23, 1975

A.I.D. Loan No. 513-T-066

LOAN AGREEMENT dated October 23, 1975, between the REPUBLIC OF CHILE (“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 five million United States dollars (\$5,000,000) (“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 of goods and services required for the Project (“Dollar Costs”) and local currency costs of goods and services required for the Project (“Local Currency Costs”). Except as A.I.D. may otherwise agree in writing, the amount of the Loan used to finance the local currency costs shall not exceed the lesser of the equivalent of three million five hundred thousand United States dollars (\$3,500,000), or seventy percent (70%) of the cost of the Project. The aggregate amount of disbursements under the Loan is hereinafter referred to as “Principal”.

*Section 1.02. THE PROJECT.* The Project is designed to enable the National Council for Food and Nutrition (“CONPAN”), an inter-sectorial body dependent upon the Ministry of Health, to create an effective nutrition planning process on the national level. The process will allow CONPAN to evaluate, experiment with, and suggest policy changes for the existing national feeding programs; analyze, select, and implement studies and pilot projects to determine which policies and nutrition interventions are most cost-effective with reference to supply and demand of food and to the nutritional value thereof and should be adopted on a regional or national level; and generate new proposals for such studies and pilot projects. The process will support the goal of reducing malnourishment in Chile by one half in ten years within the target group, defined in order of priority as infants from birth to two years old, pregnant women, lactating women, children from two to five years old, and children from six to fifteen years old, all members of families in the lowest one-third income group.

The Project will fund three distinct, but integrated elements:

- (a) Technical assistance, combining long-term and short-term advisors, furnished for the most part under a comprehensive consulting contract, to enable CONPAN to establish an effective nutrition planning process;

<sup>1</sup> Came into force on 23 October 1975 by signature.

- (b) Consulting and other professional services of primarily local public and private entities to collect and analyze data, including crop specific studies and baseline data for measuring the effectiveness of programs; and
- (c) The services of such entities to carry out pilot projects involving a range of activities so as to identify and field test the most cost-effective and innovative means of intervening in the nutritional system.

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

*Section 1.03. USE OF FUNDS GENERATED BY OTHER UNITED STATES ASSISTANCE.* The Borrower shall use for the Project, in lieu of any United States dollars that would otherwise be disbursed under the Loan to finance the local currency costs of the Project, any currencies other than United States dollars that may become available to the Borrower after the date of this Agreement in connection with assistance (other than the Loan) provided by the United States of America to the Borrower to the extent and for the purposes that A.I.D. and the Borrower may agree in writing. Any such funds used for the Project shall reduce the amount of the Loan (to the extent that it shall not then have been disbursed) by an equivalent amount of United States dollars computed, as of the date of the agreement between A.I.D. and the Borrower as to the use of such funds, at the rate of exchange defined in section 7.02 as in effect on such date.

## *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 and on any due and unpaid interest. Interest on the outstanding balance shall accrue from the date of each respective disbursement (as such date is defined in section 7.04) 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 hereof. 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, U.S.A., Attention: Cashier, SER-FM, and shall be deemed made when received by the Office of the Cashier.

*Section 2.04. PREPAYMENT.* Upon payment of all interest, Principal 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.* In the light of the undertakings of the United States of America, and the other signatories of the Act of Bogotá<sup>1</sup> and the Charter of Punta del Este<sup>2</sup> to forge an Alliance for Progress, 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 Chile, taking into consideration the relative capital requirements of Chile, and of the other signatories of the Act of Bogotá and the Charter of Punta del Este.

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

*Section 3.01. CONDITIONS PRECEDENT TO INITIAL DISBURSEMENT.* Prior to the first disbursement or to the issuance of the first Letter of Commitment under the Loan, the Borrower shall furnish to A.I.D. in form and substance satisfactory to A.I.D.:

- (a) An opinion of the Minister of Justice of Chile 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 names of the persons holding or acting in the office of the Borrower specified in section 9.02, and a specimen signature of each person specified in such statement appropriately certified as to their authenticity;
- (c) A statement of the contracting procedures to be followed by CONPAN in soliciting and obtaining Project goods and services, including standard contract forms;
- (d) A plan detailing how CONPAN will monitor and report the various activities financed as part of the Project;
- (e) A plan for annual evaluations of CONPAN by Borrower and A.I.D.; and
- (f) A detailed implementation plan for the first twelve (12) months of the Project.

*Section 3.02. CONDITIONS PRECEDENT TO DISBURSEMENT FOR PILOT PROJECTS.* Unless A.I.D. shall otherwise agree in writing, prior to any disbursement or issuance of any commitment documents under the Loan for any individual pilot project, the Borrower shall submit to A.I.D. in form and substance satisfactory to A.I.D. a detailed description of said pilot project including, *inter alia*, a justification, budget, and implementation plan.

*Section 3.03. TERMINAL DATES FOR MEETING CONDITIONS PRECEDENT TO DISBURSEMENT.* (a) If all of the conditions specified in section 3.01 shall not have been met within 120 days from the date of this Agreement, or by such later date as 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 the giving of such notice this Agreement and all obligations of the Parties hereunder shall terminate.

<sup>1</sup> United States of America, *Department of State Bulletin*, 3 October 1960, p. 537.

<sup>2</sup> *Ibid.*, 11 September 1961, p. 462.

(b) No disbursement or issuance of any commitment documents under the Loan for any individual pilot project shall be made unless the conditions specified in section 3.02 have been met with respect to that pilot project no later than 45 days before the terminal commitment date specified in section 7.05.

*Section 3.04. NOTIFICATION OF MEETING OF CONDITIONS PRECEDENT TO DISBURSEMENT.* A.I.D. shall notify the Borrower upon determination by A.I.D. that the conditions precedent to disbursement specified in sections 3.01 and, as the case may be, 3.02 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 technical, engineering, construction, financial, and administrative practices.

(b) The Borrower shall cause the Project to be carried out in conformity with all of the plans, specifications, procedures, contracts, schedules and other arrangements, and with all material modifications therein, approved by A.I.D. pursuant to this Agreement.

*Section 4.02. FUNDS AND OTHER RESOURCES TO BE PROVIDED BY BORROWER.* The Borrower shall provide promptly as needed all funds, in addition to the Loan, and all other resources required for the punctual and effective carrying out of the Project, including but not limited to the contribution stated in Section 5.01 hereof.

*Section 4.03. CONTINUING CONSULTATION.* The Borrower and A.I.D. shall cooperate fully to assure that the purpose 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 of their obligations under this Agreement, the performance of the consultants, contractors, and suppliers engaged on the Project, 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.

*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 Chile. To the extent that (a) any contractor, including any consulting firm, financed hereunder, any personnel of such contractor, and any property or transactions relating to such contracts 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 Chile, the Borrower shall, as and to the extent prescribed in and pursuant to Implementation Letters, 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 Borrower represents and warrants that all facts and circumstances that it has disclosed or caused to be disclosed to A.I.D. in the course of obtaining the Loan are accurate and complete, and that it has disclosed to A.I.D., accurately and completely, all facts and circumstances that might materially affect the Project and the discharge of its obligations under this Agreement. The Borrower shall promptly inform A.I.D. 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 the Borrower's obligations under this Agreement.

*Section 4.08. COMMISSIONS, FEES AND OTHER PAYMENTS.* (a) Borrower warrants and covenants that in connection with obtaining the Loan, or taking any action under or with respect to this Agreement, it has not paid, and will not pay or agree to pay, nor to the best of its 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 Borrower shall promptly report to A.I.D. any payment or agreement to pay for such bona fide professional, technical, or comparable services to which it is a party or of which it has knowledge (indicating whether such payment has been made or is to be made on a contingent basis), and if the amount of any such payment is deemed unreasonable by A.I.D., the same shall be adjusted in a manner satisfactory to 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 Chile.

*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 solicitation of prospective suppliers 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, 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 to the Project as A.I.D. may request.

*Section 4.11. INSPECTIONS.* The authorized representatives 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 Borrower's books, records, and other documents 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 Chile for any purpose relating to the Loan.

#### *Article V. SPECIAL COVENANTS AND WARRANTIES*

*Section 5.01. BORROWER'S CONTRIBUTION.* Borrower warrants to provide or cause to be provided as contribution to the Project the equivalent of at least four million United States dollars (US\$4,000,000).

*Section 5.02. ANNUAL IMPLEMENTATION PLAN.* Borrower covenants that twelve months after the first disbursement hereunder and every twelve months thereafter, it shall submit, in form and substance satisfactory to A.I.D., a detailed implementation plan for the ensuing twelve months of the Project.

*Section 5.03. FUNDING GOVERNMENT OF CHILE EMPLOYEES.* Borrower agrees that salaries of Government of Chile employees shall not be funded as part of the Project except to the extent that such salaries may be paid for work performed by employees while especially detailed from their normal duties to a specific activity conducted or contracted by CONPAN as part of the Project.

*Section 5.04. FOCUS OF OBJECTIVES.* Unless A.I.D. shall agree otherwise in writing, Borrower agrees to implement the Project consistent with its policy objectives of redistributing resources to children from birth to 15 years old, pregnant women and lactating women, all in the lower one-third income group.

#### *Article VI. PROCUREMENT*

*Section 6.01. PROCUREMENT FROM SELECTED FREE WORLD COUNTRIES.* Except as A.I.D. may otherwise agree in writing, and except as provided in subsection 6.08(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. Goods and services procured pursuant to this section shall be referred to as "Selected Free World Goods" and "Selected Free World Services" respectively. 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. Notwithstanding any other provisions herein, motor vehicles to be procured with Loan funds must be manufactured in the United States.

*Section 6.02. PROCUREMENT FROM CHILE.* Disbursements made pursuant to section 7.02 shall be used exclusively to finance the procurement for the Project of goods and services having both their source and origin in Chile.

*Section 6.03. ELIGIBILITY OF 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 Agreement.

*Section 6.04. GOODS AND SERVICES NOT FINANCED UNDER 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. PLANS, SPECIFICATIONS, AND CONTRACTS.* (a) Except as A.I.D. may otherwise agree in writing, the Borrower shall furnish to A.I.D. promptly upon preparation all plans, specifications, construction schedules, bid documents, and contracts relating to Pilot Projects, and any modifications therein, whether or not the goods and services to which they relate are financed under the Loan.

(b) Except as A.I.D. may otherwise agree in writing, all of the plans, specifications, and construction schedules furnished pursuant to subsection (a) above shall be approved by A.I.D. in writing.

(c) All bid documents and documents related to the solicitation of proposals relating to goods and services financed under the Loan shall be approved by A.I.D. in writing prior to their issuance. All plans, specifications, and other documents relating to goods and services financed under the Loan shall be in terms of United States standards and measurements, except as A.I.D. may otherwise agree in writing.

(d) The following contracts financed under the Loan shall be approved by A.I.D. in writing prior to their execution:

- (i) Contracts for engineering and other professional services;
- (ii) Contracts for construction services;
- (iii) Contracts for such other services as A.I.D. may specify; and
- (iv) Contracts for such equipment and materials as A.I.D. may specify.

In the case of any of the above contracts for services, A.I.D. shall also approve in writing the contractor and such contractor personnel as A.I.D. may specify. Material modifications in any of such contracts and changes in any of such personnel shall also be approved by A.I.D. in writing prior to their becoming effective.

(e) Consulting firms used by the Borrower for the Project but not financed under the Loan, the scope of their services and such of their personnel assigned to the Project as A.I.D. may specify, and construction contractors used by the Borrower for the Project but not financed under the Loan shall be acceptable to A.I.D.

(f) A.I.D. reserves the right to approve all personnel employed by contract or otherwise to render technical assistance under the Project.

*Section 6.07. 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 6.08. SHIPPING AND INSURANCE.* (a) Selected free world goods financed under the Loan shall be transported to the Republic of Chile only on flag carriers of a country included in code 935 of the A.I.D. Geographic Code Book as in



effect at the time of shipment. No such goods may be transported on any ocean vessel (or aircraft) (i) which A.I.D., in a notice to the Borrower, has designated as ineligible to carry A.I.D.-financed goods or (ii) which has been chartered for the carriage of A.I.D.-financed goods unless such charter has been approved by A.I.D.

(b) Unless A.I.D. shall determine that privately owned United States-flag commercial vessels are not available at fair and reasonable rate for such vessels, (i) at least fifty percent (50%) of the gross tonnage of all goods, computed separately for dry bulk carriers, dry cargo liners, and tankers, financed under the Loan which may be transported on ocean vessels shall be transported on privately owned United States-flag commercial vessels and (ii) at least fifty percent (50%) of the gross freight revenue generated by all shipments financed under the Loan and transported to the Republic of Chile on dry cargo liners shall be paid to or for the benefit of privately owned United States-flag commercial vessels. Compliance with the requirements of (i) and (ii) above must be achieved with respect to both cargo transported from U.S. ports and cargo transported from non-U.S. ports, computed separately.

(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 Chile 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 the currency in which such goods were financed or in any freely convertible currency. If the Government of Chile, by statute, decree, rule, regulation, or practice, discriminates with respect to A.I.D.-financed procurement against any marine insurance company authorized to do business in any State of the United States, then all goods shipped to Chile financed under the Loan shall be insured against marine risks and such insurance shall be placed in the United States with a company or companies authorized to do a marine insurance business in a State of the United States.

(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 and shall insure the full value of the goods. 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 6.09.* 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 time, as A.I.D. may request in Implementation Letters.

*Section 6.10.* INFORMATION AND MARKING. Borrower shall give publicity to the Loan and the Project as a program of United States aid in furtherance of the Alliance for Progress, identify the sites of pilot projects, and mark goods financed under the Loan, as prescribed in Implementation Letters.

### *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 Credit shall be for the account of the Borrower and may be financed under the Loan.

*Section 7.02.* DISBURSEMENT FOR LOCAL CURRENCY COSTS. Upon satisfaction of conditions precedent, the Borrower may, from time to time, request disbursement by A.I.D. of local currency for local currency 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 local currency of the Republic of Chile owned by the U.S. Government and obtained by A.I.D. with United States dollars. The United States dollar equivalent of the local currency made available hereunder will be the amount of United States dollars required by A.I.D. to obtain the currency of Chile.

*Section 7.03.* 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 7.04.* 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. disburses the local currency to the Borrower or its designee.

*Section 7.05.* TERMINAL DATE FOR DISBURSEMENT. Except as 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 7.03, or amendment thereto shall be issued in response to requests received by A.I.D. after forty (40) months from the date of this Agreement, and no disbursement shall be made against documentation received by A.I.D. or any bank described in section 7.01 later than forty-eight (48) months from the date of this Agreement. A.I.D., at its option, may at any time or times after forty-eight (48) months from the date 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 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 diligence and 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, any guaranty 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 unpaid 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 unpaid Principal and any accrued interest hereunder shall be due and payable immediately; and
- (ii) The amount of any further disbursements made under then 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 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, any guaranty 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 Chile, are in a deliverable state and have not been offloaded in ports of entry of Chile. 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 disbursements 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 has been made.

*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 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 reason 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. NONWAIVER 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 communication given, made, or sent by the Borrower or 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, telegrams, cable, or radiogram at the following addresses:

**To Borrower:**

Mail address:

Consejo Nacional para la Alimentación y Nutrición  
Ahumada 236, 7º piso  
Santiago, Chile

Cable address:

CONPAN  
Ahumada 236  
Santiago, Chile

**To A.I.D.:**

Mail address:

United States A.I.D. Mission to Chile  
Casilla 13120  
Santiago, Chile

Cable address:

USAID, AmEmbassy  
Santiago, Chile

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 may be in Spanish and shall refer to "Loan 513-T-066", except as A.I.D. may otherwise agree in writing.

*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 Executive Coordinator of the National Council for Food and Nutrition and A.I.D. will be represented by the individual holding or acting in the office of the Director, United States A.I.D. Mission to Chile. 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, 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. of written notice of revocation of the authority of any of the duly authorized representatives of the Borrower designated pursuant to this section, it may accept the signature of any such representative or representatives on any instrument 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. TERMINATION UPON FULL PAYMENT.* Upon payment in full to A.I.D. 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 representative, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

The Republic of Chile:

*By: [Signed]*

JORGE CAUAS LAMA  
Minister of Finance

*By: [Signed]*

FRANCISCO HERRERA LATOJA  
Minister of Public Health

*By: [Signed]*

FERNANDO MONCKEBERG BARROS  
Executive Coordinator  
of the National Council  
for Food and Nutrition

United States of America:

*By: [Signed]*

DAVID H. POPPER  
U.S. Ambassador  
to Chile

*By: [Signed]*

STUART H. VAN DYKE  
Director, USAID

## ANNEX I

### PROJECT DESCRIPTION

The Project will enable the National Council for Food and Nutrition ("CONPAN"), an inter-sectorial body dependent upon the Ministry of Health, to create an effective nutrition planning process on the national level. The process will allow CONPAN to evaluate, experiment with, and suggest policy changes for the existing national feeding programs; analyze, select, and implement studies and pilot projects to determine which policies and nutrition interventions are most cost-effective and should be adopted on a regional or national level; and generate new proposals for such studies and pilot projects. The process will support the goal of reducing malnourishment in Chile by one half in ten years within the target group, defined in order of priority as infants from birth to two years old, pregnant women, lactating women, children from two to five years old and children from six to fifteen years old, all members of families in the lowest one-third income group.

Loan funds will support three distinct, but integrated, elements:

- (a) Technical assistance, to enable CONPAN to establish an effective nutrition planning process, as defined above;
- (b) Consulting and other professional services of primarily local public and private entities to collect and analyze data, including crop specific studies and baseline data for measuring the effectiveness of programs;
- (c) And the services of those entities referred to in paragraph (b) to carry out pilot projects, so as to identify and field test the most cost-effective and innovative means of intervening in the nutritional system.

### A. *Technical assistance*

The technical assistance will be composed of both long-term and short-term advisors. The long-term, full-time advisors will assist CONPAN in the broad aspects of designing an information system, designing a system for data processing and analysis, selecting and designing alternative nutrition intervention projects, and designing controls over pilot project implementation, and will be present during the life of the project, declining in numbers from three individuals the first year to one during the fourth. The short-term advisors will be specialists in specific fields, brought in to provide specific advice on specific pilot projects, programs, and policies being planned by CONPAN. All of the long-term advisors and most of the short-term advisors will be furnished through a single, comprehensive consulting contract. The other short-term specialists will be hired by CONPAN either directly or through arrangements with qualified firms or universities.

### B. *Consulting and professional services*

The consulting and other professional service activities will be undertaken by contracting with local firms, individual specialists, universities, research institutes, and other public and private entities to carry out particular problem solving, investigative or analytic tasks. The contractual arrangements will call for specific performance against well defined scopes of work prepared by CONPAN.

### C. *Pilot projects*

Pilot projects will involve a range of activities including field trials, controlled and limited interventions, and practical research if within the scope of the Project.

The total costs of the Project are estimated to be the equivalent of US\$9,000,000. Of this amount, CONPAN will provide no less than the equivalent of US\$4,000,000. It is estimated that approximately US\$450,000 of this will cover operating costs and the remainder will cover costs of consulting and professional services (estimated at US\$1,525,000) and pilot projects (estimated at US\$2,025,000). The breakdown of the use of the Loan is estimated as follows:

	<i>Local currency</i>	<i>Dollars</i>	<i>Total</i>
Technical assistance to CON- PAN .....	\$ 125,000	\$ 700,000	\$ 825,000
Professional/consulting services	1,400,000	150,000	1,550,000
Pilot projects .....	<u>1,975,000</u>	<u>650,000</u>	<u>2,625,000</u>
TOTAL	<u>\$3,500,000</u>	<u>\$1,500,000</u>	<u>\$5,000,000</u>

The estimates shown above are subject to refinement and modification during the four year implementation period of the Project.