

**No. 16630**

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**UNITED STATES OF AMERICA  
and  
BOLIVIA**

**Loan Agreement—*Rural Access Roads* (with annex). Signed  
at La Paz on 20 September 1976**

*Authentic texts: English and Spanish.*

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

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

**Accord de prêt — *Routes rurales d'accès* (avec annexe).  
Signé à La Paz le 20 septembre 1976**

*Textes authentiques : anglais et espagnol.*

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

ALLIANCE FOR PROGRESS LOAN AGREEMENT<sup>1</sup> BETWEEN THE REPUBLIC OF BOLIVIA AND THE UNITED STATES OF AMERICA  
(RURAL ACCESS ROADS)

Date: September 20, 1976

A.I.D. Loan N° 511-T-056

LOAN AGREEMENT dated September 20, 1976 between the GOVERNMENT OF BOLIVIA ("Borrower") and the UNITED STATES OF AMERICA, acting through the AGENCY FOR INTERNATIONAL DEVELOPMENT ("A.I.D.").

*Article I. THE LOAN*

*Section 1.01. THE LOAN.* A.I.D. agrees to lend to the Borrower in furtherance of the Alliance for Progress and pursuant to the Foreign Assistance Act of 1961, as amended, and the Agreement for Technical Cooperation dated March 14, 1951,<sup>2</sup> as amended by a subsequent exchange of diplomatic notes,<sup>3</sup> an amount not to exceed eight million five hundred thousand United States dollars (US\$8,500,000) ("Loan") to assist the Borrower in carrying out the Project referred to in Section 1.02 ("Project"). The Loan will be used exclusively to finance United States dollar costs ("Dollar Costs") and Pesos Boliviano costs ("Peso Costs") for procuring goods and services required for the Project. The aggregate amount of disbursements under the Loan is hereinafter referred to as "Principal".

*Section 1.02. THE PROJECT.* The Project consists of making funds available to finance technical assistance, goods, and services in support of a newly established Rural Roads Department ("Gerencia") in the National Roads Service ("SNC") to improve, construct and maintain 1,200 kilometers of rural access roads.

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

*Article II. LOAN TERMS*

*Section 2.01. INTEREST.* The Borrower shall pay to A.I.D. interest which shall accrue at the rate of two percent (2%) per annum for ten years following the date of the first disbursement hereunder and at the rate of three percent (3%) per annum thereafter on the outstanding balance of Principal. The Borrower will also pay to A.I.D. a penalty on any due and unpaid interest at the rate of three percent (3%) per annum computed on the basis of a 365-day year. Interest on the outstanding balance shall accrue from the date of each respective disbursement (as such date is defined in Section 7.05) and shall be computed on the basis of [a] 365-day year. Interest shall be payable semi-annually. The first payment of interest shall be due and payable no later than six (6) months after the first disbursement hereunder, on a date to be specified by A.I.D.

*Section 2.02. REPAYMENT.* The Borrower shall repay the Principal to A.I.D. within forty (40) years from the date of the first disbursement hereunder in sixty one (61) approximately equal semi-annual installments of Principal and interest. The first installment of Principal shall be payable nine and one half (9½) years after the date on which

<sup>1</sup> Came into force on 20 September 1976 by signature.

<sup>2</sup> United Nations, *Treaty Series*, vol. 132, p. 319, and annex A in volume 180.

<sup>3</sup> *Ibid.*, vol. 180, p. 346.

the first interest payment is due in accordance with Section 2.01. A.I.D. shall provide the Borrower with an amortization schedule in accordance with this Section after the final disbursement under the Loan.

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

*Section 2.04. PREPAYMENT.* Upon payment of all interest and refunds then due, the Borrower may prepay, without any other charges, all or any part of 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. CONDITIONS PRECEDENT TO DISBURSEMENT.* Prior to disbursement or to the issuance of commitment documents under the Loan, the Borrower shall, except as A.I.D. may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

- (a) An opinion of the Fiscal de Gobierno de Bolivia or other Counsel acceptable to A.I.D. that this Agreement has been duly authorized and/or ratified by and executed on behalf of the Borrower, and that it constitutes a valid and legally binding obligation of the Borrower in accordance with all of its terms;
- (b) A statement of the name of the person holding or acting in the office of the Borrower, specified in Section 9.02, and a specimen signature of the person specified in that statement, appropriately certified as to its authenticity;
- (c) A plan for the establishment of a Rural Roads Department within SNC including a proposed staffing pattern;
- (d) A list of equipment and hand tools to be procured with loan funds including specifications.

*Section 3.02. CONDITIONS PRECEDENT TO DISBURSEMENT FOR THE PURCHASE OF EQUIPMENT.* Prior to any disbursement under the Loan for the purchase of equipment, the Borrower shall submit to A.I.D. in form and substance satisfactory to A.I.D.:

- (a) Evidence of the establishment of a Rural Roads Department within SNC;
- (b) Evidence of the appointment of a Rural Roads Department Chief;
- (c) A financial plan for the Project detailing the amount and timing of the GOB's contribution during the life of the Project;
- (d) Detailed time-phased implementation and evaluation plans for the life of the Project;
- (e) Signed agreements between SNC and (i) the Ministry of Campesino Affairs and Agriculture (MACAG) and (ii) the National Community Development Service (SNDC) which detail their responsibilities in carrying out the Project including the covenants set forth in Section 5.02;
- (f) A description of the system whereby individual sub-projects will be screened and assigned a priority including the role of the Sub-Project Selection Committee;

- (g) Evidence of the appointment of one individual each from (i) the Agricultural Extension Service (AES) of MACAG; (ii) SNDC and (iii) SNC to serve on the Sub-Project Selection Committee;
- (h) A plan for the utilization of technical assistance to be financed with loan funds;
- (i) A description of how environmental considerations will be taken into account in implementation of the Project;
- (j) A plan for the maintenance of equipment to be procured with loan funds; and
- (k) A plan for the maintenance of roads to be improved or constructed with loan funds.

*Section 3.03.* TERMINAL DATES FOR MEETING CONDITIONS PRECEDENT TO DISBURSEMENTS. If all the conditions specified in Section 3.01 shall not have been met within 75 days or the conditions specified in Section 3.02 shall not have been met within 150 days from the date of this Agreement or such later date as Borrower and A.I.D. may agree in writing, A.I.D., at its option, may terminate this Agreement by giving written notice to the Borrower. In the event of termination, upon the giving of notice, the Borrower shall immediately repay the Principal then outstanding and shall pay any accrued interest and, upon receipt of such payment in full, this Agreement and all obligations of the parties hereunder shall terminate.

*Section 3.04.* NOTIFICATION OF MEETING CONDITIONS PRECEDENT TO DISBURSEMENT. A.I.D. shall notify the Borrower in writing when the conditions precedent to disbursement specified in Section 3.01 and 3.02 have been met.

#### Article IV. GENERAL COVENANTS AND WARRANTIES

*Section 4.01.* EXECUTION OF THE PROJECT. Except as A.I.D. shall otherwise agree in writing:

- (a) The Borrower shall carry out the Project with due diligence and efficiency, and in conformity with sound engineering, construction, financial, administrative, technical and management practices;
- (b) The Borrower shall cause the Project to be carried out in conformity with all of the plans, specifications, contracts, schedules and other arrangements, and with all modifications therein, approved by A.I.D. pursuant to the Agreement;
- (c) The Borrower shall seek to minimize any harmful effects upon the natural environment which might be caused by any proposed activity under the Project.

*Section 4.02.* FUNDS AND OTHER RESOURCES TO BE PROVIDED BY THE BORROWER. Besides the contribution of the Borrower stated in Section 5.01 hereof, the Borrower shall provide promptly as needed all funds, in addition to the Loan, and all resources required for the punctual and effective carrying out and maintenance of the Project including the funds necessary to carry out the covenant set forth in Section 5.02 (b).

*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, through the participating agencies, 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 and 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 to their knowledge may hereinafter 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 section 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 or 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 and/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 solicitation 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 any purpose relating to the Loan.

#### Article V. SPECIAL COVENANTS

*Section 5.01. BORROWER'S CONTRIBUTION.* Borrower agrees to provide as its contribution to the Project resources of at least equivalent value to the Borrower Contribution shown in Annex I of this Loan Agreement.

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

- (a) That the Borrower will ensure that funds for the operating costs of the Rural Roads Department are shown as a separate line item in the SNC budget;
- (b) That the Borrower will assure that all roads improved or constructed with loan funds will generally be open for regular public use;
- (c) That the Borrower will use its best efforts to ensure that, prior to the commencement of construction of each individual sub-project, the community road committee concerned agrees to limit the area planted in coca within the area of influence of the road to the area already in production at that time or to such areas as may have been approved by the Borrower pursuant to its program to control the production of coca;
- (d) That the Borrower will continue the improvement and construction of rural access roads using the Rural Roads Department as implementing agency in the geographic focus of the Project as defined in Annex I of the Loan Agreement for a minimum of five years, after Project completion;
- (e) That SNC will utilize the equipment obtained with loan funds only for purposes of the Project during the life of the Project and only for the continuation of the construction and maintenance of rural access roads for the duration of the life of the equipment;
- (f) That the Borrower periodically will review its policy on permitting the collection of tolls on public roads to ascertain whether these tolls are continuing to have a negligible effect on the price of agricultural products for internal consumption;
- (g) That the Borrower will use its best efforts to ensure that the construction of Highways 1 and 4, which was financed under a previous A.I.D. loan, is completed in accordance with the schedule to be submitted by SNC;
- (h) That the Borrower will operate, maintain and repair each sub-project, when completed, in conformity with sound engineering, financial and administrative practices and in such manner as to insure the continuing and successful achievement of the purposes of the Project.

*Article VI. PROCUREMENT*

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

*Section 6.02. PROCUREMENT FROM THE REPUBLIC OF BOLIVIA.* Except as A.I.D. may otherwise agree in writing, Peso Boliviano disbursements made pursuant to Section 7.02 and Section 7.04 shall be used exclusively to finance the procurement for the Project of goods and services having both their source and origin in the Republic of Bolivia.

*Section 6.03. APPLICABILITY OF PUBLICATION REQUIREMENTS OF BOLIVIAN PROCUREMENT REGULATIONS.* Since this Loan Agreement is an international agreement, procurement from foreign sources under the Loan is not subject to the publication requirements of the procurement laws and regulations of the Republic of Bolivia; however, solicitation in Bolivia may also be undertaken at the discretion of the Borrower.

*Section 6.04. ELIGIBILITY DATE.* Except as A.I.D. may otherwise agree in writing, no goods or services may be financed under the Loan which are procured pursuant to orders or contracts firmly placed or entered into prior to the date of this Loan Agreement.

*Section 6.05. 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 6.06. 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 6.07. CONSULTING SERVICES.* Consulting firms used by the Borrower for the Project, 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 6.08. PLANS, SPECIFICATIONS AND CONTRACTS.* A.I.D. reserves the right to review and/or approve, upon written request from A.I.D.:

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

*Section 6.09. 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 therefore prescribed in Implementation Letters.

*Section 6.10.* 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 6.11.* SHIPPING AND INSURANCE. (a) Selected Free World Goods financed under the Loan shall be transported to the Republic of Bolivia on flag carriers of any country included in Code 935 of the A.I.D. Geographic Code Book as in effect at the time of shipment.

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

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

(c) Marine insurance on Selected Free World goods may be financed under the Loan with disbursements made pursuant to Section 7.01, provided (i) such insurance is placed at the lowest available competitive rate in the Republic of Bolivia or in a country included in Code 941 of the A.I.D. Geographic Code Book as in effect at the time of placement, and (ii) claims thereunder are payable in freely convertible currency. If in connection with the placement of marine insurance on shipments financed under United States legislation authorizing assistance to other nations, the Republic of Bolivia, by statute, decree, rule or regulation favors any marine insurance company 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 6.12. 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 6.13. 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 6.14. 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 supplier, 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 (including sub-lending) 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 is required shall be that official rate of exchange which on the date of such conversion yields the largest number of pesos per dollar.

*Section 7.04. OTHER FORMS OF DISBURSEMENT.* Disbursements of the Loan may also be made through such other means as the Borrower and A.I.D. may agree to in writing.

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

*Section 7.06. TERMINAL DATE FOR DISBURSEMENT.* Except as Borrower and A.I.D. may otherwise agree in writing, no Letter of Commitment, or other commitment documents which may be called for by another form of disbursement under Section 7.04, or amendment thereto, shall be issued in response to requests received by A.I.D. after 42 months from the date the conditions precedent to initial disbursement are met and no disbursement shall be made against documentation received by A.I.D. or any bank described in Section 7.01 after 48 months from the date the conditions precedent to initial disbursement are met. A.I.D., at its option, may, at any time or times after 48 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 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 outstanding irrevocable Letters of Credit or otherwise shall become due and payable as soon as made.

*Section 8.03. SUSPENSION OF DISBURSEMENTS.* 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.;
- (d) The Borrower shall have failed to pay when due any interest or any installment of Principal or any other payment required under this or any other loan agreement, or any other agreement, between the Borrower or any of its agencies and the Government of the United States or any of its agencies; or
- (e) The Borrower shall have failed to comply with the Agreement for Technical Co-operation dated March 14, 1951, as amended

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 deliverable state and have not been offloaded in the Republic of Bolivia or in such ports outside of Bolivia, where, pursuant to international agreement, such goods became Bolivian property. Any disbursement made or to be made under the Loan with respect to such transferred goods shall be deducted from Principal.

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

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

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

(b) In the event that A.I.D. receives a refund from any contractor, supplier, or banking institution, or from any other third party connected with the Loan, with respect to goods or services financed under the Loan, and such refund relates to an unreasonable

price for goods or services, or to goods that did not conform to specifications, or to services that were inadequate, A.I.D. shall first make such refund available for the cost of goods and services procured for the Project hereunder, to the extent justified; the remainder to be applied to the installments of Principal in the inverse order of their maturity and the amount of the Loan shall be reduced by the amount of such remainder.

*Section 8.07. EXPENSES OF COLLECTION.* All reasonable costs incurred by A.I.D., other than salaries of its staff, in connection with the collection of any refund or in connection with amounts due A.I.D. by reasons of the concurrence 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  
Calle Bolívar No. 688  
La Paz, Bolivia

Cable Address:

MINFIN  
La Paz, Bolivia

With copies to:

National Road Service  
Av. 20 de Octubre No. 1829  
Cajón Postal 4797  
Casilla 1485  
La Paz, Bolivia

To A.I.D.:

Mail Address:

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

Cable Address:

USAID, AmEmbassy  
La Paz, Bolivia

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

*Section 9.02. REPRESENTATIVES.* For all purposes relative to this Agreement the Borrower will be represented by the individual holding or acting in the office of the Minister of Finance, the executing agency by the individual holding or acting in the office of the Director of the National Road Service, and A.I.D. will be represented by the individual holding or acting in the office of the Director USAID/Bolivia. Such individuals

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

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

*Section 9.04.* PROMISSORY NOTES. At such time or times as A.I.D. may request, the Borrower shall issue promissory notes or such other 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]  
Lic. CARLOS CALVO  
Minister of Finance

United States of America:

[Signed]  
WILLIAM P. STEDMAN Jr.  
Ambassador

[Signed]  
JOHN R. OLESON  
Director  
USAID/Bolivia

Participant of the Government of Bolivia:

[Signed]  
Mj (r) Eng. JULIO TRIGO R.  
Minister of Transportation, Communications and Civil Aviation

## A N N E X I

### PROJECT DESCRIPTION

#### A. INTRODUCTION

The expenditure of Project monies will focus on improving the relative welfare of the rural poor. In order to achieve this goal monies will be used to: (i) increase agriculture production and off farm sales of agriculture/livestock production through the provision of all-weather access roads in target areas; (ii) establish within the National Road Service (SNC) the capability to develop an effective access roads program; and (iii) establish within beneficiary rural communities a rural road maintenance capability.

The Project will consist of the construction of approximately 1,200 kilometers of all-weather rural access roads in selected provinces of Chuquisaca, Santa Cruz, Cochabamba and the La Paz Departments.

The following table indicates the approximate number of kilometers of road to be improved in each Department as well as the provinces where most road improvement will take place:

<i>Department</i>	<i>Provinces</i>	<i>Approximate No. of Kms. to be improved</i>
La Paz	Nor Yungas, Sud Yungas	170
Cochabamba	Campero, Mizque, Arque, Tapacari, Capinota, Arce, Jordán, Carrasco, Ayopaya, Chapare	530
Chuquisaca	Oropeza, Zudáñez, Boeto, Yamparaes, Tomina	310
Santa Cruz	Santiesteban, Sara, Warnes, Ibáñez, Florida, Vallegrande, Ichilo, Caballero	190

Roads to be improved will generally follow existing primitive roads or trails and will make areas of high agricultural potential more accessible to markets. The roads will be designed according to simple but acceptable standards, the principal objective being the provision of one-lane all-weather access. The Project will apply an optimum mix of voluntary hand labor and heavy equipment for the construction of the maximum number of all-weather roads at the lowest possible costs. By the end of the Project it is expected that 15,000 small farm families will be linked to market centers on a year-round basis. In addition, the SNC will have developed the capacity to continue an effective rural access roads program within the Project's target area. This capacity will include a capability for road and equipment maintenance.

The SNC, through the newly created Department of Rural Roads, is the Project's principal executing agency and will have primary responsibility for overseeing the selection of sub-projects, road construction, and major road maintenance.

SNC, together with the National Community Development Service (SNDC) and the Ministry of Agriculture and Campesino Affairs (MACA), will select roads to be improved using the criteria submitted to satisfy Section 3.02 (e).

All community proposals, whether received by SNC or SNDC, will be initially reviewed by SNC prior to the eligibility screening test. Thereafter, a National Road Selection Committee will be created to determine the final selection and priority of roads to be built under this project. The Committee will consist of one voting member each from the SNC, the SNDC and the MACA. Other members will be included on a permanent or *ad-hoc* basis as the Committee may determine. The Committee will be under the general direction of the SNC, but both the SNDC and the MACA will provide information to assist in the selection of sub-projects. Each sub-project to be included in the project must have the unanimous approval of the three voting Committee members. The selection process will be based on a three tier testing system which will subject all proposals to an ascending level of analysis. The first test will include but not be limited to the following criteria: (i) the road proposed for improvement must connect to an all-weather road, which in turn leads to a marketing center; (ii) the distance requiring improvement should not exceed sections of 20 kilometers; (iii) the proposed route must serve an average farm density of four farms per kilometer; (iv) the proposed route should serve a zone of influence which has significant agricultural potential and (v) communities must exhibit a strong indication of community interest. The second test will evaluate all sub-projects which have passed the initial screening on the basis of the project's financial feasibility, economic rate of return and the community's commitment to participating in road construction.

Finally, to reach the maximum feasible number of small farmers and increase agricultural production in order to improve the level of welfare among rural inhabitants, roads will be ranked for construction purposes on the basis of a weighting scheme which should consider but not be limited to the project's economic viability, number of farmers to be served by this project,

current average farm family income in the project area, and average number of hectares under cultivation.

One additional factor will be taken into consideration once the aforementioned process is complete. Sub-projects will be grouped as much as possible into aggregate "priority groups". Therefore, rather than move all of the equipment from the highest priority sub-project to the next highest priority sub-project, the equipment brigade would undertake to construct all ranked roads in the "priority group" that are easily accessible from the highest ranked road and only then move the equipment to the next highest "priority group" of projects.

SNC will coordinate the work of the sub-project selection committee, and will be wholly responsible for the decision concerning the technical feasibility of each sub-project as well as for sub-project grouping. In addition, the economic analysis of each individual sub-project will be performed by the SNC.

In coordination with village-level committees, the Rural Roads Department will be responsible for road construction and the supervision of voluntary labor. The SNC will provide equipment operators and assume the financial responsibility for equipment operation and maintenance costs.

Although the communities will assume most minor maintenance tasks, through local monitors and road committees, major maintenance will be the responsibility of the SNC *residencia* which will be contacted for assistance by community road monitors. SNDC will provide project support responsibilities related to: (i) assisting in sub-project site identification and selection; (ii) organizing the community project committee, which will be the formal body representing the community during sub-project construction; (iii) giving promotional assistance to the recipient community to ensure that the required voluntary labor force is provided during the construction phase; and (iv) maintaining the Project committee so that it is capable of mobilizing the work groups needed to undertake minor road maintenance.

The major SNDC element for mobilizing community resources and guaranteeing a labor force for Project implementation will be the community development supervisors (CDS). SNDC will make available eight full-time CDS staffers to work with communities.

The Ministry of Agriculture's principal role in the Project will be to provide the necessary agronomic data to aid in sub-project selection. Its extension agents will assist the SNC economist in obtaining such information as types and quantities of crops, population density, and quantity and quality of arable land.

## B. PROJECT COMPONENTS

In order to achieve the purposes of the loan as stated above, the following components will be financed from the A.I.D. Loan:

(1) *Equipment and Spare Parts.* A major portion of loan funds will be used to finance equipment for the construction of access roads. In addition to the equipment, approximately 18% of the acquisition price of the equipment will be used to procure selected spare parts, which will permit the continuous operation of the equipment during the loan period.

(2) *Hand Tools.* Loan funds will be used to buy hand tools to be distributed by SNC for use by the communities which are providing voluntary labor to the Project. The hand tools will for the most part consist of shovels, picks, rakes, and wheelbarrows, but will also include such special items as masons' and carpenters' tools which will be used in the construction of culverts. A portion of these tools will be left in charge of the community committee for other sub-projects including those which will be carried on after the four-year life of the Project.

(3) *Local and Imported Materials.* Loan funds will be used for the acquisition of certain local and/or imported materials, such as explosives, cement and culvert pipe.

(4) *Technical Assistance.* Loan funded technical assistance will provide for two persons for 36 worker-months each. One will assist the Director of the Rural Roads Department in the organization and monitoring of the sub-projects. He will have extensive experience in the design, construction and maintenance of low volume roads, and will serve as an ex-officio member of the

Sub-projects Road Selection Committee, functioning in an advisory capacity only. The second member of the technical assistance team will have an extensive background in maintenance of heavy equipment and in spare parts control. He will instruct operators and mechanics in maintenance procedures at all locations where the equipment is being used.

(5) *Training.* Loan funds will be used to pay per diem costs of training equipment operators, mechanics and truck drivers. Personnel will be trained at SNC's facilities at Patacamaya. SNC will absorb all costs of training, other than per diem costs.

(6) *Local Contracts.* Funds will be reserved for the construction of small structures by local contractors, such as concrete slabs for culverts.

(7) *Experimental Program.* Funds will be used to carry out an experimental program of road construction and maintenance using labor-intensive techniques and adaptations of construction equipment and machinery.

C. SUMMARY OF THE FINANCIAL PLAN AND GOB CONTRIBUTION  
(Approximate—in US\$ 000)

	Aid		Local Contrib.	GoB Contrib.	Total
	FX	Loan LC			
Equipment and Spare Parts . . . . .	5,800				5,800
Hand Tools . . . . .	150				150
Labor (unskilled) . . . . .			3,000		3,000
Personnel (SNC) . . . . .				2,900	2,900
Personnel (SNDC) . . . . .				40	40
Personnel (MACAG) . . . . .				20	20
Materials . . . . .	790	1,060		320	2,170
Contract (Small Struct.) . . . . .		290			290
Fuel and Lube . . . . .				660	660
R/W Access . . . . .			100		100
Training . . . . .		10		30	40
Technical Assistance . . . . .	200				200
Research . . . . .		200			200
Totals	6,940	1,560	3,100	3,970	15,570
Total Loan		8,500			
Total GoB and Local			7,070		

D. TIMING OF GOB DIRECT CONTRIBUTION

	1977 (CY)	1978 (CY)	1979 (CY)	1980 (CY)	Total
<i>Cash Contributions</i>					
<i>Salaries</i>					
Engineering . . . . .	44	125	126	177	472
Skilled Labor . . . . .	172	668	668	718	2,226
Support Labor . . . . .	19	36	36	36	127
Operating Expenses . . . . .	10	20	23	22	75
Total	245	849	853	953	2,900
<i>SNC Project Costs</i>					
Fuel and Lube . . . . .	—	220	220	220	660
Training . . . . .	16	7	5	2	30
Aggregate . . . . .	—	105	105	110	320
Total Cash Contribution	261	1,181	1,183	1,285	3,910
<i>SNDC Project Costs</i>					
<i>Cash Contribution</i>					
Salaries, Travel . . . . .	7	11	11	11	40
Total Cash	7	11	11	11	40



MACA Project Costs

Cash Contribution

Salaries <sup>1</sup> . . . . .	<u>3</u>	<u>6</u>	<u>6</u>	<u>5</u>	<u>20</u>
Total Cash	<u>3</u>	<u>6</u>	<u>6</u>	<u>5</u>	<u>20</u>
Total GOB Contribution	<u>271</u>	<u>1,198</u>	<u>1,197</u>	<u>1,299</u>	<u>3,970</u>

<sup>1</sup> People already working for MACA. [Footnote in the original.]

E. COMPONENTS OF GOB CONTRIBUTION

1. The SNC will assume all costs of engineering, surveying, economic analysis, equipment operations, and maintenance and a portion of local materials. In addition the SNC will provide the following:

- (a) Construction personnel. The salaries and other expenses of all technical operating personnel will be provided by SNC.
- (b) Professional and Support Personnel. SNC will provide such engineers, draftsmen, soils technicians, surveyors, and construction superintendents as required for the successful completion of the Project.
- (c) Operating Costs of Equipment. SNC will provide all fuel, lubrication and such spare parts not included in the loan funded portion of the Project.
- (d) Training. SNC will provide all funds necessary for the training of equipment operators and mechanics for the Project, except for the per diem of these trainees which will be financed by loan funds.
- (e) Materials. SNC will provide crushed rock from its quarries for road surfacing where a natural local source is not available. An estimated ten percent of all surfacing materials will be provided from the SNC inventory.

2. The SNDC will fund the necessary personnel to promote and mobilize the local labor contribution to the Project.

3. The MACA will provide the necessary personnel to gather the agricultural and economic data necessary for the Selection Committee. This data will serve as the baseline data required to provide future evaluations.

4. The local communities will be required to provide the following:

- (a) Labor. Each community or population cluster which is benefited by the construction of a road will be required to provide the hand labor necessary to complete the sub-project. The quantity of hand labor will be determined by SNDC.
- (b) Right of Way. Communities will contribute right-of-way access for the road projects.