

**No. 17112**

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**UNITED STATES OF AMERICA  
and  
COSTA RICA**

**Loan Agreement relating to a nutrition program (with  
annex). Signed at San José on 26 April 1976**

*Authentic texts: English and Spanish.*

*Registered by the United States of America on 3 October 1978.*

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**ÉTATS-UNIS D'AMÉRIQUE  
et  
COSTA RICA**

**Accord de prêt relatif à un programme de nutrition (avec  
annexe). Signé à San José le 26 avril 1976**

*Textes authentiques : anglais et espagnol.*

*Enregistré par les États-Unis d'Amérique le 3 octobre 1978.*

## LOAN AGREEMENT<sup>1</sup> BETWEEN THE GOVERNMENT OF COSTA RICA AND THE UNITED STATES OF AMERICA

Date: April 26, 1976

A.I.D. Loan 515-T-026

LOAN AGREEMENT dated April 26, 1976, between the REPUBLIC OF COSTA RICA (“Borrower”) and the UNITED STATES OF AMERICA, acting through the AGENCY FOR INTERNATIONAL DEVELOPMENT (“AID”).

### *Article I. THE LOAN*

*Section 1.01. THE LOAN.* AID 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 six million United States dollars (\$6,000,000) (“Loan”) to assist the Borrower in carrying out the Program referred to in Section 1.02 (“Program”). The Loan shall be used exclusively to finance United States dollar costs of goods and services required for the Program (“Dollar Costs”), and local currency costs of goods and services required for the Program (“Local Currency Costs”). The aggregate amount of disbursements under the Loan is hereinafter referred to as “Principal”.

*Section 1.02. THE PROGRAM.* The Program shall consist of a group of activities in support of the National Nutrition Policy financed by the Social Development and Family Assistance Fund. The Program’s objectives are: increase the nutrition of poor children (ages 0-12) and pregnant and lactating women; provide improved environmental sanitation for marginal rural communities; and deliver integrated health services to certain rural communities. The program will consist of the following components: (i) Nutrition Information Management Systems (approximately \$1,011,000); (ii) Research (approximately \$2,090,000); (iii) Nutrition Personnel Field Services (approximately \$1,123,000); (iv) Nutrition Education (approximately \$1,086,000); and (v) Environmental Sanitation (approximately \$690,000). The Program is more fully described in Annex I, attached hereto, which Annex may be modified in writing by the Borrower and AID. Procedures for the procurement of the goods and services to be financed under the Loan shall be specified in the Implementation Letters referred to in Section 9.03 (“Implementation Letters”).

### *Article II. LOAN TERMS*

*Section 2.01. INTEREST.* The Borrower shall pay to AID interest which shall accrue at the rate of two percent (2%) per annum for ten (10) 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 semi-annually. The first payment of interest shall be due and payable no later than

<sup>1</sup> Came into force on 26 April 1976 by signature.

six (6) months after the first disbursement hereunder, on a date to be specified by AID.

*Section 2.02. REPAYMENT.* The Borrower shall repay to AID the Principal 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 the first interest payment is due in accordance with Section 2.01. AID 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 AID may otherwise specify in writing, all such payments shall be made to the "Controller, Agency for International Development, Washington, D.C., U.S.A." and shall be deemed made when received by the Office of the Controller.

*Section 2.04. PREPAYMENT.* Upon payment of all interest and refunds then due, the Borrower may prepay, without penalty, 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 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 AID, at such time or times as AID may agree upon, an acceleration of the repayment of the Loan in the event that the capacity of Borrower to service a more rapid liquidation of its obligations should improve in light of the internal and external economic and financial position and prospects of the Republic of Costa Rica, taking into consideration the relative capital requirements of the Republic of Costa Rica and 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 FOR THE PROGRAM.* Prior to the first disbursement or to the issuance of the first Letter of Commitment under the Loan, the Borrower shall, except as AID may otherwise agree in writing, furnish to AID in form and substance satisfactory to AID:

- (a) An opinion of the Procurador General de la República that this Agreement has been duly authorized by the Executive Power and ratified by the Legislative Assembly, 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.

<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.

- (c) A time-phased implementation and evaluation plan for the project, which plan will be updated on an annual basis.
- (d) Evidence that adequate measures, including specific Inter-Agency Agreements, have been taken for acquisition of computer time for project activities.

*Section 3.02. CONDITIONS PRECEDENT TO DISBURSEMENT FOR EACH OF THE FIVE PROGRAM COMPONENTS.* Prior to any disbursements, or the issuance of any commitment documents under the Loan for each of the five Program components, Borrower shall submit to AID, in form and substance satisfactory to AID, a separate implementation and evaluation plan for said component.

*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 such later date as AID may agree to in writing, AID, 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.

(b) If all of the conditions specified in Section 3.02 shall not have been met within 180 days from the date of this Agreement, or such later date as AID may agree to in writing, AID at its option, may cancel the then undisbursed balance of the amount of the Loan and/or may terminate this Agreement by giving written notice to the Borrower. In the event of a 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 payments in full, this Agreement and all obligations of the parties hereunder shall terminate.

*Section 3.04. NOTIFICATION OF MEETING CONDITIONS PRECEDENT TO DISBURSEMENT.* AID shall notify the Borrower in writing upon determination by AID that the conditions precedent to disbursement specified in Section 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 PROGRAM.* (a) The Borrower shall carry out the Program with due diligence and efficiency, and in conformity with sound engineering, construction, financial and administrative practices.

(b) The Borrower shall cause the Program to be carried out in conformity with all of the plans, specifications, contracts, schedules, and other arrangements, and with all modifications therein, approved by AID and the Borrower 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 Program, as described in Section 1.02 above.

*Section 4.03. CONTINUING CONSULTATION.* The Borrower and AID shall cooperate fully to assure that the purpose of the Loan will be accomplished. To this end, the Borrower and AID shall from time to time, at the request of either party, exchange views through their representatives with regard to the progress of the Program, the performance by the Borrower of its obligations under this

Agreement, the performance of the consultants, contractors, and suppliers engaged in the Program, and other matters relating to the Program.

*Section 4.04. MANAGEMENT.* The Borrower shall provide qualified and experienced management for the Program, and it shall train such staff as may be appropriate for the carrying out and continuance of the Program.

*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 country of the Borrower. To the extent that (a) any contractor, including any consulting firm, any personnel of such contractor financed hereunder, and any property or transactions relating to such 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 the Republic of Costa Rica, 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 Program, except as AID may otherwise agree in writing. Upon completion of the Program, or at such other time as goods financed under the Loan can no longer usefully be employed for the Program, the Borrower may use or dispose of such goods in such manner as AID and Borrower may agree in writing prior to such use or disposition.

(b) Except as AID 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 AID 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 to AID in the course of obtaining the Loan are accurate and complete, and that it has disclosed to AID, accurately and completely, all facts and circumstances that may hereafter arise that might materially affect, or that it is reasonable to believe might materially affect, the Program or the discharge of the Borrower's obligations under this Agreement. The Borrower shall promptly inform AID of any facts and circumstances that may hereafter arise that might materially affect, or that it is reasonable to believe might materially affect, the Program 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 AID any payment or agreement to pay for such bona fide professionals, technical, or comparable services to which it is a party or of which it has knowl-

edge (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 AID, the same shall be adjusted in a manner satisfactory to AID.

(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 Costa Rica.

*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 Program and to this Agreement. Such books and records shall, without limitation, be adequate to show:

- (a) The receipt and use made of goods and services acquired with funds disbursed pursuant to this Agreement;
- (b) The nature and extent of solicitations of prospective 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 Program.

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

*Section 4.10. REPORTS.* The Borrower shall furnish to AID such information and reports relating to the Loan and to the Program as AID may request.

*Section 4.11. INSPECTIONS.* The authorized representatives of AID shall have the right at all reasonable times to make complete inspections of the Program, including the utilization of all goods and services financed under the Loan, and the Borrower's books, records, and other documents relating to the Program. The Borrower shall facilitate such inspections, permitting representatives of AID to visit any part of the country of the Borrower for any purpose relating to the Loan.

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

*Section 5.01. BOAT AND VEHICLE MAINTENANCE.* Borrower shall maintain in an approved manner all boats and motor vehicles financed under the Loan.

*Section 5.02. HAND PUMPS.* Borrower shall finance from its own resources all costs of installing the hand pumps financed by the Loan under the environmental sanitation component of the Program, and if these pumps prove to be an effective intervention, Borrower shall continue the hand pump program with its own resources after the Loan funds for the environmental sanitation component have been fully disbursed.

*Section 5.03. TECHNOLOGY RESEARCH.* Borrower shall continue the food technology research until the following products are available for use in Borrower's research program:

- (a) Weaning foods for children 0-2 years of age.

- (b) Blended foods for children from 2 to 6 years of age.
- (c) Food mixes such as milk and meat extenders and other means to enable the implementation of the school feeding program in the most efficient and economical manner possible.

#### *Article VI*

*Section 6.01. PROCUREMENT FROM SELECTED FREE WORLD COUNTRIES.* Except as AID may otherwise agree in writing, and except as provided in subsection 6.09(c) with respect to marine insurance, disbursements made pursuant to Section 7.01 shall be used exclusively to finance the procurement for the Program of goods and services having their source and origin in countries included in Code 941 (except for countries which are members of the Central American Common Market) of the AID 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 (except for countries which are members of the Central American Common Market) of the AID Geographic Code Book as in effect at the time of shipment.

*Section 6.02. PROCUREMENT FROM CENTRAL AMERICAN COMMON MARKET.* Except as AID may otherwise agree in writing, disbursements made pursuant to Section 7.02 shall be used exclusively to finance the procurement for the Program of goods and services having both their source and origin in the countries which are members of the Central American Common Market.

*Section 6.03. ELIGIBILITY DATE.* Except as AID 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 and financed by the GOCR contribution to the Program as defined in Section 1.02 and Annex I shall have their source and origin in countries included in Code 935 of the AID 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 AID may otherwise agree in writing, the Borrower shall furnish to AID, promptly upon preparation, all plans, specifications, construction schedules, bid documents, and contracts relating to the Program, and any modifications therein, whether or not the goods and services to which they relate are financed under the Loan.

(b) Except as AID may otherwise agree in writing, all of the plans, specifications and construction schedules furnished pursuant to subsection (a) above shall be approved by AID 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 AID 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 standards and measurements used in both the United States and Costa Rica.

(d) The following contracts financed under the Loan shall be approved by AID 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 AID may specify, and
- (iv) Contracts for such equipment and materials as AID may specify.

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

(e) Consulting firms used by the Borrower for the Program, as defined in Section 1.02 and Annex I, the scope of their services and such of their personnel assigned to the Program as AID may specify, and construction contractors used by the Borrower for the Program but not financed under the Loan shall be acceptable to AID.

*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 goods and services 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 6.08. EMPLOYMENT OF NON-SELECTED FREE WORLD NATIONALS UNDER CONSTRUCTION CONTRACTS.* The employment of personnel to perform services under any construction contract financed under the Loan shall be subject to certain requirements with respect to nationals of countries other than Costa Rica and countries included in Code 941 of the AID Geographic Code Book as in effect at the time the construction contract is entered into. These requirements are prescribed in Implementation Letters.

*Section 6.09. SHIPPING AND INSURANCE.* (a) Selected Free World Goods financed under the Loan shall be transported to the country of the Borrower on flag carriers of any country included in Code 935 of the AID 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 AID in notice to the Borrower, has designated as ineligible to carry AID-financed goods or (ii) which has been chartered for the carriage of AID-financed goods unless such charter has been approved by AID.

(b) Unless AID 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 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 (country of Borrower) 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 a country which is a member of Central American Common Market or in a country included in Code 941 of the AID 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 the Borrower, by statute, decree, rule, regulation or practice discriminates with respect to AID-financed procurement against any marine insurance company authorized to do business in any State of the United States then all goods shipped to the cooperating country financed under the Loan shall be insured against marine risk and such insurance shall be placed in the United States with a company or companies authorized to do a marine insurance business in any 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 Program. 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 AID Geographic Code Book (except for countries which are members of the Central American Common Market) 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 6.10. 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 AID such information with regard thereto, and at such times as AID may request in Implementation Letters.

*Section 6.11. UNITED STATES GOVERNMENT OWNED EXCESS PROPERTY.* The Borrower shall utilize, with respect to goods financed under the Loan to which the Borrower takes title at the time of procurement, such reconditioned United States Government-owned Excess Property as may be consistent with the requirements of the Program and as may be available within a reasonable period of time. The Borrower shall seek assistance from AID and AID will assist the Borrower in ascertaining the availability of and in obtaining such Excess Property. AID will make arrangements for any necessary inspection of such property by the Borrower or its representative. The costs (of inspection and) of acquisition, and all charges incident to transfer to the Borrower of such Excess Property, may be financed under the Loan. Prior to the procurement of any goods, other

than the Excess Property, financed under the Loan and after having sought such AID assistance, the Borrower shall indicate to AID in writing, on the basis of information then available to it, either that such goods cannot be made available from reconditioned United States Government-owned Excess Property on a timely basis or that the goods that can be made available are not technically suitable for use in the Program.

*Section 6.12. INFORMATION AND MARKING.* Borrower shall give publicity to the Loan and the Program as a program of United States aid in furtherance of the Alliance for Progress, identify the Program sites, 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 AID to issue Letters of Commitment for specified amounts to one or more United States banks, satisfactory to AID committing AID 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 Program 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 AID may prescribe in Letters of Commitment and Implementation Letters. 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. DISBURSEMENT FOR LOCAL CURRENCY COSTS.* Upon satisfaction of conditions precedent, the Borrower may, from time to time, request disbursement by AID of local currency for Local Currency Costs of Goods and Services procured for the Program in accordance with the terms and conditions of this Agreement by submitting to AID such supporting documentation as AID may prescribe in Implementation Letters. AID shall make such disbursements from local currency of the country of the Borrower owned by the United States Government and obtained by AID 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 AID to obtain the currency of the country of the Borrower.

*Section 7.03. OTHER FORMS OF DISBURSEMENT.* Disbursements of the Loan may also be made through such other means as the Borrower and AID may agree in writing.

*Section 7.04. DATE OF DISBURSEMENT.* Disbursements by AID shall be deemed to occur, (a) in the case of disbursements pursuant to Section 7.01, on the date on which AID 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 AID disburses the local currency to the Borrower or its designee.

*Section 7.05. TERMINAL DATE FOR DISBURSEMENT.* Except as AID may otherwise agree in writing, no Letter of Commitment, or other commitment documents which may be called for by Section 7.01, 7.02, and 7.03, or amend-

ment thereto, shall be issued in response to requests received by AID after May 31, 1979; no disbursement shall be made against documentation received by AID or any bank described in Sections 7.01, 7.02, and 7.03 after August 31, 1979.

AID, at its option, may at any time or times after August 31, 1979, reduce the Loan by all or any part thereof for which documentation was not received by such date.

*Section 7.06. EXCHANGE RATE.* The computation for the GOCR and autonomous institutions dollar equivalent of the counterpart contribution under this Loan, as specified in Annex I to this Loan Agreement, shall be based on the highest official GOCR rate of exchange in effect at the time of disbursement.

### *Article VIII. CANCELLATION AND SUSPENSION*

*Section 8.01. CANCELLATION BY THE BORROWER.* The Borrower may, with the prior written consent of AID, by written notice to AID, cancel any part of the Loan (i) which, prior to the giving of such notice, AID 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 Program 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 AID, or any of its predecessor agencies,

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

- (i) Such unrepaid Principal and any accrued interest hereunder shall be due and payable immediately; and
- (ii) The amount of any further disbursement 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 AID 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; or
- (c) Any disbursement by AID would be in violation of the legislation governing AID;

- (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 AID 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 AID shall give notice to the Borrower promptly thereafter;
- (ii) Decline to make disbursements other than under outstanding commitment documents;
- (iii) Decline to issue additional commitment documents;
- (iv) At AID's expense, direct that title to goods financed under the Loan shall be transferred to AID if the goods are from a source outside the country of the Borrower, are in a deliverable state and have not been offloaded in ports of entry of the country of the Borrower. 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 AID.* 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, AID may, at its option, at any time or times thereafter, cancel all or any part of the Loan that is not then either disbursed or subject to Irrevocable Letters of Credit.

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

*Section 8.06. REFUNDS.* (a) In the case of any disbursement not supported by valid documentation in accordance with the terms of this Agreement, or of any disbursement not made or used in accordance with the terms of this Agreement, AID, 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 AID within thirty (30) days after receipt of a request therefor. Such amounts shall be made available first for the cost of goods and services procured for the Program 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.

(b) In the event that AID receives a refund from any contractor, suppliers, 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, AID shall first make such refund available for the cost of goods and services procured for the

Program 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.

(c) Notwithstanding any other provision in this Agreement, AID'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.

*Section 8.07. EXPENSES OF COLLECTION.* All reasonable costs incurred by AID other than salaries of its staff, in connection with amounts due AID by reason of the occurrence of any of the events specified in Section 8.02 may be charged to the Borrower and reimbursed to AID in such manner as AID may specify.

*Section 8.08. NONWAIVER OF REMEDIES.* No delay in exercising or omission to exercise any right, power, or remedy accruing to AID 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 AID 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:

Casa Presidencial  
San José, Costa Rica

Cable Address:

Casa Presidencial  
San José, Costa Rica

To AID:

Mail Address:

USAID/Costa Rica  
U.S. Embassy  
San José, Costa Rica

Cable Address:

USAID/AmEmbassy  
San José, Costa Rica

Other addresses may be substituted for the above upon the giving of notice. All notices, requests, communications and documents submitted to AID hereunder shall be in English and Spanish simultaneously, except as AID 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 President, and AID will be represented by the United States Ambassador acting in his capacity as USAID Mission Director, United States Agency for International Development Mission to Costa Rica. The United States Ambassador hereby designates the AID Affairs Officer as the official representative to carry out all activities and execute all required documentation for the implementation of the Program. The aforementioned 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 AID. Until receipt by AID 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. AID 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 AID 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 AID may reasonably request.

*Section 9.05.* 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 AID under this Loan Agreement shall terminate.

*Section 9.06.* LANGUAGE. This Agreement will be executed in both the English and Spanish languages. In the case of ambiguity between the English and Spanish versions, the English version will prevail. The procedures to be followed in resolving questions of ambiguity will be as prescribed in Implementation Letters.

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.

EN FE DE LO CUAL, el Prestatario y los Estados Unidos de América, cada uno actuando por conducto de sus respectivos representantes autorizados, han hecho que este Acuerdo se firme en su nombre y se efectúe a partir de la fecha y el año que aparecen al principio.

República de Costa Rica<sup>1</sup>:

[Signed — Signé]

DANIEL ODUBER QUIRÓS  
Presidente de la República de Costa Rica<sup>2</sup>

[Signed — Signé]

EDGAR ARROYO CORDERO  
Ministro de Gobernación, Policía, Justicia y Gracia. Encargado de la Cartera de Planificación y Política Económica<sup>3</sup>

[Signed — Signé]

PORFIRIO MORERA BATRES  
Ministro de Hacienda<sup>4</sup>

The United States of America:

[Signed — Signé]

TERENCE A. TODMAN  
Ambassador of the United States

[Signed — Signé]

JOE J. SCONCE  
AID Affairs Officer  
United States AID Mission  
to Costa Rica

Entidades Ejecutoras<sup>5</sup>:

Ministerio de Trabajo<sup>6</sup>:

*Por: [Illegible]*

Ministerio de Salud<sup>7</sup>:

*Por: [Illegible]*

Ministerio de Educación Pública<sup>8</sup>:

*Por: [Illegible]*

<sup>1</sup> Republic of Costa Rica.

<sup>2</sup> President of the Republic of Costa Rica.

<sup>3</sup> Minister of Internal Affairs, Police, Justice and Mercy, in charge of planning and economic policy.

<sup>4</sup> Minister of Finance.

<sup>5</sup> Executing Agencies.

<sup>6</sup> Ministry of Labor.

<sup>7</sup> Ministry of Health.

<sup>8</sup> Ministry of Public Education.

## A N N E X I

## PROGRAM DESCRIPTION

## A. INTRODUCTION

The Program shall consist of a group of activities in support of the National Nutrition Policy financed by the Social Development and Family Assistance Fund. The Program's objectives are: increase the nutrition of poor children (ages 0-12) and pregnant and lactating women; provide improved environmental sanitation for marginal rural communities; and deliver integrated health services to certain rural communities. It is intended that this Program will develop and utilize a systematic, integrated and multi-sectoral approach in planning, implementing and evaluating the Costa Rican National Nutrition Program. The Loan and related GOCR contribution are directed to strengthening the management of the GOCR Program, improving the cost-effectiveness of its activities, and to introduce and test nutrition related innovations.

The Program consists of five major components: nutrition information management systems, research, nutrition field services, nutrition education, and environmental sanitation. The general coordinating agency responsible for the overall Program will be the General Directorate of Social Development and Family Assistance (SDFA) of the Ministry of Labor. Each Program component, as detailed below, will be administered by a specific GOCR agency and coordinated and monitored by the SDFA.

As required by Section 3.01 of the Loan Agreement, an overall time-phased implementation and evaluation plan for the Program is to be provided prior to the disbursement of any loan funds. The requirements of this plan will be further detailed in Implementation Letter No. 1. However, in general this plan should discuss overall Program targets and progress indicators; the expected end-of-Program status, the inter-institutional relationships and coordinating aspects of the Program, and all inter-institutional arrangements required to carry out the Program, administrative concerns of the Program, including the mechanism to be used for the actual control and disbursement of funds; and a time-schedule for evaluation exercises. More specific and individual work and evaluation plans for each of the components will be required prior to the disbursement of funds for that component, in accordance with Section 3.02 of this Agreement.

## B. PROGRAM COMPONENTS

1. *Nutrition Information Management Systems*

The major objective of this component is to design and implement an inter-institutional nutrition information system which will provide timely and accurate information for decision-making.

The systems and information unit of the Office of Information in the Presidency will oversee and manage the technical aspects of the nutrition information system in coordination with the Ministry of Health. It will work directly with the Office of Social Development and Family Assistance, the coordinator for the Program, and with the individual agencies participating in the Program: Ministry of Health (MOH), Ministry of Education (MOE), Ministry of Agriculture (MAG), National Production Council (CNP), National Water Authority (SNAA), and the Ministry of Government through the National Office of Community Development (DINADECO).

Over the three-year period of the Loan, the specific activities to be undertaken by the Nutrition Information Management System will be as follows:

- Design of an integral model for the national nutrition program, which would contain all relationships, requirements, and necessary research activities in all fields related to the nutrition problem: technological, social, educational, statistical, ecological, and anthropological.



- Establish a control system for measuring progress toward the achievement of established goals in the various program activities. The system will gather and process data periodically, provide basic indicators for program adjustment, and include specific data requirements of the executing agencies.
- Establish a programming system to determine in-time and place actions which will have to be taken through inter-institutional coordination.
- Establish an evaluation system which will strengthen the decision-making process through the collection of baseline data and the development of progress indicators of a qualitative and quantitative nature.
- Establish, maintain and update a data bank with the baseline data generated at the level of the target communities. The bank will also contain information on the evaluation of these communities and the sociocultural and economic changes resulting from the Program's interventions.

Execution of these activities will require the inputs of technical assistance, field survey work, basic system equipment, system assessment. Prior to the commitment or disbursement of any Loan funds, the Borrower is to provide evidence that it has acquired sufficient computer time to carry out the activities described above, including the interagency agreements for that purpose. Additionally, prior to the commitment and disbursement of Loan funds for this component, the Borrower is required to prepare a detailed implementation and evaluation plan for the activities of the nutrition information management systems. This plan should include, *inter alia*, evidence of arrangements made between the agencies participating in the Nutrition Program for the interchange of nutrition programming information and data.

## 2. Research

The objective of this Program component is to (i) orient the research activities of GOCCR institutions to basic questions and concerns of the nutritional system, and (ii) support the implementation of key research activities identified as relevant to effective Program execution. Implicit in this objective is that the proposed research activities will stimulate the development of competent Costa Rican professionals to carry out ongoing nutrition research.

Activities under this component are categorized as: research in operational methodology; applied nutrition research; and food technology research.

### a. Research in Operational Methodology

This research element is designed to provide support data to the information system and evaluate existing activities in order to obtain a more effective allocation of Program resources. This type of research may include the study of socio-economic variables relating to malnutrition, anthropological aspects of food behavior and habits, and application of systems engineering techniques to nutrition. The Office of Information will oversee the conduct of this research work and will, as required, provide technical assistance in operational methodology to the agencies participating in the national nutrition program.

Specific research activities to be financed will be detailed in the implementation and evaluation plan for the research component. Loan funds will finance technical assistance for research design, training of researchers, vehicles and actual research costs.

### b. Applied Nutrition Research

The Ministry of Health is the agency responsible for this element of nutrition research. To implement this activity, it will enter into agreements, covering the utilization of Loan funds, with entities such as INISA, the National Nutrition Clinic, etc. The Ministry of Health will direct a series of specific studies designed to provide a permanent mechanism for assessing the nutritional status of Costa Rican children, such as a longitudinal study of child nutrition, growth and development; and studies of lactation and weaning patterns,

etc. The scopes and costs of these studies will be detailed in the implementation plan required as a condition precedent to disbursement.

### c. Food Technology

This research element will address two major problems: the supply and demand for food in the GOCR nutrition program; and the need for an efficient delivery system for the most vulnerable priority group (0-2 years) where the highest incidence of mortality and morbidity occur due to nutritional causes.

A series of studies and surveys to be financed will cover the following areas: (i) development of special weaning foods and other food mixes specifically oriented to the 0-2 target group; (ii) development of alternative products and delivery mechanisms for supplementary feeding of children in the 2-5 year group; (iii) development and more efficient and economical menus for feeding programs, particularly for school-age children; (iv) development of industrialized foods utilizing local raw materials for their use in the institutional feeding program; and (v) assessment and testing feasibility of establishing intermediate technology projects in food processing at the local level.

The Ministry of Health will manage all the research contained under this element of the Program, for which purpose it will enter into agreements, covering the utilization of Loan funds, with entities such as CITA. These entities will design all work, contract with scientists and professionals for specified aspects of the research, conduct product testing at its laboratory facilities and provide conclusions of research to the management of the national nutrition program. Loan financing will cover the costs of technical assistance, field work and surveys, specialized training for key CITA personnel, and equipment for testing of weaning foods.

### 3. *Nutrition Personnel Field Services*

The objective of this Program component is to expand and strengthen the cadre of field personnel involved in nutrition and nutrition-related activities and programs.

There will be three types of training financed by the Program: technical training for MOH field personnel; general nutrition training given on an inter-group basis for individuals from the MAG and DINADECO, under the Ministry of Government; and decentralized training for personnel of the Ministry of Education. For this latter category, emphasis will be on seminars for school principals and information packages designed to support classroom teaching of nutrition.

The activities of this Program component directly relate to the objectives of several other components, most notably to the information system and nutrition education. Relative to the first, field personnel, particularly from the MOH, will play a vital role in overall nutritional epidemiological surveillance and collection of nutrition data. As concerns the second, field personnel will be the single most important channel for the delivery of educational messages.

Loan funds will be used to cover the costs of technical assistance for the development of course content and the training of trainers, audiovisual equipment and teaching aids, actual training costs, nutrition information packages, and in the case of the Ministry of Education, a limited number of vehicles and boats for supervisory purposes.

### 4. *Nutrition Education*

The objective of this component is to put greater emphasis on the utilization of education interventions in nutrition programming and to assist the GOCR to develop an ongoing capacity to carry out these types of activities. The activity of this Program component will be to design small-scale innovative educational programs in key areas of nutrition, evaluate their results, and help the GOCR organize large-scale replication of successful efforts.

Specific activities to be undertaken are the following:

- Upgrade and reinforce the nutrition education capabilities of rural health workers by means of seminars in specific nutrition/health problems. This will be tested at a representative sample level in the first year and following modification, will be expanded to all health regions in the second year.
- Provide basic maternal-child care and nutrition education to all women under care in health facilities.
- Evaluate efficacy of radio messages alone to change nutritional practices. Three different short programs will be produced and transmitted in one health region. Field workers will gather data on behavioral effects, and results will be evaluated.
- Measure the utility of radio messages in conjunction with face-to-face educational techniques through the technique of radio study groups. The activity will be tested on a small scale, and pending results, replicated for a much larger area or the entire country.
- School garden activity testing the feasibility and efficacy of school gardens as a tool of nutrition education. The activity will be implemented in a representative sample group of schools, evaluated, modified, and then expanded to include all rural schools.

These activities will be carried out by the Ministry of Health, the Ministry of Education, the Ministry of Agriculture and Livestock, DINADECO, under the Ministry of Government and others. The School garden activity will be designed and administered by the technical assistance division in the Department of Nutrition of the Ministry of Education. Execution of these activities will require inputs of technical assistance, educational materials, audio-visual and other equipment, and field survey work. In addition to the above pilot studies, Loan funds will be available for specialized long-term training in nutrition education and for technical equipment for the MOH education/communications laboratory and mobile units of the Ministry of Government's Office of Community Development (DINADECO).

In accordance with Section 3.02 of the Loan Agreement, an implementation and evaluation plan for this component of the Program is required prior to the commitment or disbursement of Loan funds to nutrition education activities. This plan should detail, *inter alia*, the themes to be covered by Loan-funded activities and the mechanism(s) to be used in coordinating course and message content as well as the administration of nutrition education programs.

##### 5. *Environmental Sanitation*

The objective of this Program component is to help the Ministry of Health implement its program of wells and handpumps for the most widely dispersed and isolated rural families and schoolhouses and to implement this program as rapidly as possible with a major emphasis on the evaluation and testing of this intervention's effectiveness in diminishing malnutrition and child mortality, either alone or in combination with other interventions. Loan funds will be available to finance in part the procurement and installation of approximately 6,000 well and handpump water systems.

The Ministry of Health will oversee this project component and will contract out the installation services to private companies. The Ministry of Health will be responsible for the maintenance and repair services of the installed pumps.

Since CARE has been conducting a small pump program with the MOH during the past 8 years, it is required that prior to initiating this activity under the Loan, a thorough evaluation of the MOH/CARE pump program be conducted to analyze specific operational and technical aspects of these activities. Results of this evaluation should be reflected in the implementation plan for this component, which is required as a condition precedent to disbursement for this component.

5. *Sanidad Ambiental*

El objetivo de esta parte del Programa es el de ayudar al Ministerio de Salud a ejecutar su programa de pozos y bombas manuales de agua para las familias y escuelas de las zonas rurales más dispersas y a llevarlo a cabo en el menor tiempo posible poniendo mayor énfasis en la evaluación y prueba de la efectividad de esta intervención para la disminución de la desnutrición y la mortalidad infantil, ya sea por sí sola o en combinación con otras intervenciones. Habrá fondos del Préstamo disponibles para financiar parte de la compra e instalación de aproximadamente 6.000 sistemas de pozos y bombas manuales.

El Ministerio de Salud supervisará este renglón del proyecto y podrá contratar a empresas privadas para que realicen la instalación. El Ministerio de Salud será responsable de los servicios de mantenimiento y reparación de las bombas instaladas.

Debido a que CARE ha venido llevando a cabo un pequeño programa de instalación de bombas junto con el Ministerio de Salud por espacio de 8 años, se requiere que antes de iniciar esta actividad bajo el Préstamo, se lleve a cabo una evaluación detallada de los programas de bombas del MS/CARE con el fin de analizar los aspectos operacionales y técnicos específicos de estas actividades. Los resultados de esta evaluación deberán figurar en el plan de ejecución para este elemento, el cual se requiere como condición previa al desembolso para esta parte.

## C. PLAN FINANCIERO

## C. FINANCIAL PLAN

## ESTIMACIÓN DEL COSTO PARA LAS PARTES DEL PROGRAMA\*

*(En \$000)*[COST EVALUATION OF PROGRAM COMPONENTS<sup>1</sup>]*(\$000)*

	<i>AID</i>	<i>GOCR</i>	<i>Total</i>
Sistema de Información sobre Nutrición .....	1.011	775**	1.786
[Nutrition Information Management Systems]			
Investigación			
[Research]			
Operación y Metodología .....	450	360	810
[Operational Methodology]			
Nutricional .....	720	225	945
[Nutrition]			
Tecnología de Alimentos .....	920	280	1.200
[Food Technology]			
Servicios de Personal de Nutrición en el Campo .....	1.123	9.616	10.739
[Nutrition Personnel Field Services]			
Educación Nutricional .....	1.086	250	1.336
[Nutrition Education]			
Sanidad Ambiental .....	690	1.250	1.940
[Environmental Sanitation]			
TOTAL	6.000	12.756	18.756

\* Si durante la ejecución del programa se comprueba que es necesario y así lo acuerdan por escrito la AID y el GOGR, las partes del Programa arriba mencionadas podrán reducirse hasta en un 10% o podrán aumentarse hasta en un 20%. Estos ajustes no pueden variar el total.

\*\* Además de esta cantidad, la contribución del GOGR a la parte del Sistema de Información incluirá el acceso a computadoras, según sea necesario.

<sup>1</sup> If during the implementation period it is proven necessary and is agreed to in writing between AID and the GOGR, the above components may be reduced by up to 10% or increased by up to 20%. These adjustments may not change the total.

<sup>2</sup> In addition to this amount, the GOGR contribution to the Information System Component will include access to appropriate computer facilities as needed.

Los detalles financieros para cada uno de las partes se requerirán como una parte de las condiciones previas contenidas en la Sección 3.02 del Acuerdo.

Financial details for each component will be required as a part of conditions precedent contained in Section 3.02 of the Agreement.