

No. 17302

**UNITED STATES OF AMERICA
and
CENTRAL AMERICAN BANK
FOR ECONOMIC INTEGRATION**

**Loan Agreement for regional rural agribusiness development
(with annex). Signed on 2 February 1977**

Authentic text: English.

Registered by the United States of America on 24 November 1978.

**ÉTATS-UNIS D'AMÉRIQUE
et
CENTRAL AMERICAN BANK
FOR ECONOMIC INTEGRATION**

**Accord de prêt relatif au développement des agro-industries
rurales régionales (avec annexe). Signé le 2 février 1977**

Texte authentique : anglais.

Enregistré par les États-Unis d'Amérique le 24 novembre 1978.

ALLIANCE FOR PROGRESS LOAN AGREEMENT¹ BETWEEN THE CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRA- TION AND THE UNITED STATES OF AMERICA FOR REGION- AL RURAL AGRIBUSINESS DEVELOPMENT

A.I.D. Loan No. 596-T-016

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¹ Came into force on 2 February 1977 by signature.

LOAN AGREEMENT dated February 2, 1977, between the CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION (“Borrower”) and the UNITED STATES OF AMERICA, acting through the AGENCY FOR INTERNATIONAL DEVELOPMENT (“A.I.D.”). Borrower and A.I.D. declare that this Agreement is made in the spirit and for the objectives of the Alliance for Progress and this will guide them in interpreting and carrying out the Agreement and all related transactions.

Article I. THE LOAN

Section 1.01. THE LOAN. A.I.D. agrees to lend to Borrower in furtherance of the Alliance for Progress and pursuant to the Foreign Assistance Act of 1961, as amended, an amount not to exceed fifteen million United States Dollars (\$15,000,000) (“Loan”) to assist Borrower in carrying out the Project referred to in Section 1.02 (“Project”). The Loan shall be used exclusively to finance United States dollar costs (“Dollar Costs”) and Central American costs (“Local Currency Costs”) of goods and services required for the Project. The aggregate amount of disbursements under the Loan is hereinafter referred to as “Principal”.

Section 1.02. THE PROJECT. The Project will consist of a program to provide long-term financing and technical assistance through Intermediate Credit Institutions for the promotion, development and expansion of agribusiness enterprises in Central America. Such enterprises will be selected on the basis of criteria designed to maximize technical assistance, credit and marketing benefits to small farmers and the generation of employment opportunities. The Loan, together with a Borrower’s contribution of five million United States dollars (\$5,000,000) equivalent, will establish a permanent revolving fund of the Borrower for the Project, to be used to finance (a) capital equipment for agribusiness, (b) technical assistance for sub-borrowers and agribusinesses, (c) the production and/or purchase of raw materials for processing, and (d) other agribusiness working capital requirements.

The Project is more fully described in Annex I, attached hereto, which Annex may be modified in writing within the scope of the Project as set forth in this section by Implementation Letters issued by authorized representatives of A.I.D., and approved in writing by authorized representatives of Borrower.

Article II. LOAN TERMS

Section 2.01. INTEREST. Borrower shall pay to A.I.D. interest which shall accrue at the rate of two percent (2%) per annum for ten years following the date of the first disbursement hereunder and at the rate of three percent (3%) per annum thereafter on the outstanding balance of Principal and on any due and unpaid interest. Interest on the outstanding balance shall accrue from the date of each respective disbursement as such date is defined in Section 7.03 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. Borrower shall repay to A.I.D. the Principal within thirty years from the date of the first disbursement hereunder in forty-one (41) 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. A.I.D.

shall provide 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 Controller, Office of Financial Management, Agency for International Development, Washington, D.C. 20523, U.S.A., and shall be deemed made when received by the Office of Financial Management.

Section 2.04. PREPAYMENT. Upon payment of all interest and refunds then due, Borrower may prepay, without penalty, all or part of the Principal. Unless A.I.D. otherwise agrees in writing, such prepayment shall be applied to the installments of Principal in the inverse order of their maturity.

Article III. CONDITIONS PRECEDENT

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

- (a) An opinion of legal 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 Borrower in accordance with all of its terms;
- (b) A statement, duly authenticated, of the names of the person or persons holding or acting in the office(s) of Borrower and a specimen signature of each person specified in such statement;
- (c) A certified copy of Borrower's corporate charter;
- (d) Evidence that Borrower has agreed to comply with the project eligibility criteria set forth in the Project Assessment Form referred to in Annex I and approved by A.I.D., in making sub-loans under the Project;
- (e) A plan providing for:
 - (i) the objective and comprehensive analysis of proposed sub-loans, to assure, *inter alia*, economic justification and technical soundness of sub-projects;
 - (ii) monitoring the implementation of each sub-loan; and
 - (iii) the periodic audit of each sub-loan.
- (f) Staffing and organizational plans and arrangements for the administration of the Loan;
- (g) A certified description of Borrower's operating policies, procedures and organizational structure; and
- (h) Evidence that, except as A.I.D. may otherwise agree in writing, the Borrower:
 - (i) will contribute the equivalent of five million United States dollars (\$5,000,000) on the basis set forth in Annex I, to be used for implementation of the Project, and
 - (ii) has established procedures for the use of funds derived from Project activities in accordance with Section 5.01(b).

Section 3.02. CONDITIONS PRECEDENT TO FIRST DISBURSEMENT TO SUB-BORROWERS. Prior to the first disbursement or the issuance of any Commitment Document to a sub-borrower, Borrower shall cause to be furnished to A.I.D. in form and substance satisfactory to A.I.D. for such sub-borrower:

- (a) A certified copy of the corporate charter and by-laws of the sub-borrower (or such other documents as may be appropriate in the event of a sub-loan to a non-corporate sub-borrower);
- (b) A certified copy of the operating policy of the sub-borrower as authorized by its Board of Directors;
- (c) Evidence in writing that the sub-borrower has agreed to comply with the project eligibility criteria outlined in the Project Assessment Form referred to in Article 3.01(d) in relending funds made available under the Project; and
- (d) Evidence in writing that the sub-borrower has designated at least one full time qualified project manager to administer any sub-loan or sub-loans made by such sub-borrower with funds received under the Project.

Section 3.03. ADDITIONAL CONDITION PRECEDENT TO BORROWER LOAN COMMITMENTS. (a) Prior to the Borrower's making Loan commitments which total cumulatively more than the equivalent of two million five hundred thousand United States dollars (\$2,500,000) of Loan funds, and thereafter when such successive commitments total cumulatively two million five hundred thousand United States dollars (\$2,500,000) of Loan funds, A.I.D. and Borrower shall hold a joint review of the progress of the Project.

(b) Borrower shall provide justification and obtain the written approval of A.I.D., prior to making loans to any sub-borrower totaling in the aggregate more than two million five hundred thousand dollars (\$2,500,000) equivalent in Project funds.

Section 3.04. TERMINAL DATES FOR MEETING CONDITIONS PRECEDENT TO DISBURSEMENT. 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 A.I.D. may agree to in writing, A.I.D., at its option, may terminate this Agreement by giving written notice to Borrower. Upon the giving of such notice, this Agreement and all obligations of the parties hereunder shall terminate.

Section 3.05. NOTIFICATION OF MEETING OF CONDITIONS PRECEDENT TO DISBURSEMENT. A.I.D. shall notify Borrower in writing upon determination by A.I.D. that the conditions precedent specified herein have been met. A.I.D. will provide this notification to Borrower as soon as possible after the necessary documentation has been submitted.

Article IV. GENERAL COVENANTS AND WARRANTIES

Section 4.01. EXECUTION OF THE PROJECT. (a) Borrower shall carry out the Project with due diligence and efficiency and in conformity with sound banking, engineering, financial, accounting and administrative practices;

(b) As appropriate for the particular sub-project, Borrower shall ensure that the sub-borrowers employ suitably qualified engineering or technical consultants and construction contractors who have the financial, technical and managerial capacity to successfully execute the sub-project;

(c) Borrower shall cause sub-projects to be carried out in conformity with all of the sub-loan applications and agreements, financial plans, specifications, contracts, schedules and other arrangements, and with all modifications thereto, which have been approved pursuant to this Agreement.

Section 4.02. FUNDS AND OTHER RESOURCES TO BE PROVIDED BY BORROWER. Borrower covenants that it shall provide, promptly as needed, all funds and other resources, in addition to the Loan, required for the punctual and effective carrying out of the Project.

Section 4.03. CONTINUING CONSULTATION. Borrower and A.I.D. shall cooperate fully to assure that the purpose of the Loan will be accomplished. To this end, 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 Borrower of its obligations under this Agreement, the performance of sub-borrowers under sub-loan agreements, and the performance of the agencies, suppliers and contractors relating to the Project.

The effect of the Project upon the natural environment shall be taken into consideration prior to and during the implementation of the Project, and A.I.D. and Borrower shall cooperate to minimize any harmful effects upon the natural environment.

Section 4.04. MANAGEMENT. Borrower shall provide qualified and experienced management for the Project and shall train and cause to be trained such staff as may be appropriate for the execution of the Project.

Section 4.05. NON-TAXATION. (a) Borrower will pay or cause to be paid, from resources other than Loan funds, all taxes or fees that may be imposed under laws in effect within any country of Central America in connection with the delivery or registration of this Loan Agreement or the repayment of Principal or payment of interest thereunder.

(b) Unless A.I.D. otherwise agrees in writing, the proceeds of this Loan shall not be used to pay identifiable taxes, tariffs, duties and other levies imposed under laws in effect in the country of Central America in which the sub-project is being carried out ("Identifiable Taxes"). If, however, a country of Central America charges any identifiable taxes, Borrower will either subtract the estimated amount of such taxes from the estimated costs of the sub-project otherwise eligible for fund financing, with the resulting figure to be the maximum amount of the sub-loan for such sub-project, or will pay or reimburse the same with other than Loan funds.

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 A.I.D. and Borrower 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. Borrower represents and warrants that all facts and circumstances that it has disclosed or caused to be disclosed to A.I.D. in the course of obtaining the Loan are accurate and complete, and that it has disclosed to A.I.D., accurately and completely, all facts and

circumstances that might materially affect the Project and the discharge of its obligations under this Agreement. Borrower shall promptly inform A.I.D. of any facts and circumstances of which it may have knowledge hereafter and which might materially affect, or which it may be reasonable to believe might materially affect, the Project or the discharge of 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 Borrower's full time officers and employees or as compensation for bona fide professional, technical or comparable services. Borrower shall promptly report to A.I.D. any payment or agreement to pay for such bona fide professional, technical or comparable services to which it is a party or of which it has knowledge (indicating whether such payment has been made or is to be made on a contingent basis), and if the amount of any such payment is deemed unreasonable by A.I.D., the same shall be adjusted in a manner satisfactory to A.I.D.

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

Section 4.09. MAINTENANCE AND AUDIT OF RECORDS. Borrower shall maintain, or cause to be maintained, and shall cause sub-borrowers to maintain, in accordance with sound accounting principles and practices consistently applied, books and records relating to the Project, to sub-projects and to this Agreement. Such books and records of Borrower and of sub-borrowers shall, without limitation, be adequate to show for each sub-project:

- (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, where applicable; and
- (d) The progress of the sub-project.

Such books and records of both Borrower and sub-borrowers shall be regularly audited, in accordance with sound auditing standards, for such period and at such reasonable intervals as A.I.D. and Borrower may require. Borrower shall maintain said books and records 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. Borrower also shall require sub-borrowers to maintain their books and records for the aforesaid period of time.

Section 4.10. AUDITED FINANCIAL STATEMENTS. Borrower shall submit to A.I.D. within four months after the end of each fiscal year, its financial statements audited by an independent accounting firm acceptable to A.I.D.

Section 4.11. REPORTS. Borrower shall furnish to A.I.D. such information and reports relating to the Loan, the Project and the sub-projects as A.I.D. may request.

Section 4.12. INSPECTIONS. The authorized representatives of A.I.D. shall have the right at all reasonable times to inspect sub-projects, the utilization of all goods and services financed under the Loan, and Borrower's and sub-borrower's books, records and other documents relating to the Project and the Loan. Borrower shall cooperate with A.I.D. to facilitate review of the operations of Borrower and sub-borrowers.

Article V. SPECIAL COVENANTS AND WARRANTIES

Section 5.01. LIMITATIONS ON BORROWER AND SUB-BORROWER. (a) Except as A.I.D. otherwise agrees in writing, Borrower and/or any sub-borrower shall:

- (1) Not utilize A.I.D. Loan funds or any repayments of Principal from sub-loans made from A.I.D. Loan funds to pay administrative or operating expenses of Borrower or any sub-borrower;
- (2) Comply with the project eligibility criteria set forth in the Project Assessment Form referred to in Section 3.01 (d) for each sub-project.

(b) Repayments of principal from A.I.D. funded sub-loans may be used only for those purposes and pursuant to the same terms and conditions under which A.I.D. Loan funds were originally made available.

Section 5.02. SUB-LOAN AGREEMENTS. (a) Borrower covenants to include provisions in all sub-loan agreements for the maintenance and audit of records and for permitting inspections by authorized representatives of A.I.D. to the same extent as agreed between Borrower and A.I.D. as set forth in Sections 4.09 and 4.12 of this Agreement.

(b) Borrower covenants that agreements for all sub-loans made under the Project and financed with Loan funds shall contain terms and conditions which are consistent with the purposes, terms and conditions of this Agreement.

(c) Borrower covenants to include in all sub-loan agreements a clause stipulating that the sub-borrower shall (i) provide promptly as needed all funds and other resources, in addition to the sub-loan, required for the punctual and effective carrying out of the sub-project, and (ii) provide an annual audited financial statement and any other reports needed by Borrower to monitor the sub-project.

(d) Borrower shall also include in all sub-loan agreements a covenant that the effect of the sub-project upon the natural environment shall be taken into consideration prior to, during, and after the implementation of the sub-project and that Borrower and the sub-borrower shall cooperate to minimize any harmful effects upon the natural environment.

Section 5.03. REFINING OF ELIGIBILITY CRITERIA. (a) For developing and refining eligibility criteria to further the purposes of the Loan, until 2.5 million dollars have been committed under the Loan, Borrower will submit PAFs as described in Annex I to A.I.D. and will afford A.I.D. the opportunity to review such forms and comment on the sub-projects. A.I.D. Loan funds will be committed only to sub-projects in which there has been concurrence between Borrower and A.I.D.

(b) Procedures for continuing refining the eligibility criteria after 2.5 million dollars have been committed under the Loan shall be agreed upon between Borrower and A.I.D. in Implementation Letters.

(c) Except as otherwise agreed, Borrower shall provide the following with respect to sub-projects reviewed hereunder:

- (i) A statement that the sub-project was reviewed and was found acceptable in terms of eligibility criteria, and
- (ii) A certification that Borrower has found the sub-project economically justified and technically sound.

Article VI. PROCUREMENT

Section 6.01. PROCUREMENT FROM SELECTED FREE WORLD COUNTRIES. Except as A.I.D. may otherwise agree in writing, and except as provided in subsection 6.08(c) with respect to marine insurance, disbursements made pursuant to Section 7.01 shall be used exclusively to finance the procurement for the Project of goods and services having their source and origin in the countries of Central America or 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. 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, except for the countries of Central America.

Section 6.02. ELIGIBILITY DATE. Except as A.I.D. may otherwise agree in writing, no goods or services may be financed under the Loan which are procured pursuant to orders or contracts firmly placed or entered into prior to the date of the Agreement.

Section 6.03. 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 6.04. IMPLEMENTATION OF PROCUREMENT REQUIREMENT. The definitions applicable to the eligibility requirements of Sections 6.01 and 6.03 will be set forth in detail in Implementation Letters.

Section 6.05. PLANS, SPECIFICATIONS AND CONTRACTS. A.I.D. and Borrower will agree on the procedures for the review and approval, as determined to be necessary, of plans, specifications, contracts, contractors, and procurement to be financed hereunder.

Section 6.06. REASONABLE PRICE. No more than reasonable prices shall be paid for any goods or services financed, in whole or in part, under the Loan. Such items shall be procured on a fair and, to the maximum extent practicable, on a competitive basis. Reasonable prices should normally approximate the lowest competitive prices (except for professional services) for such goods or services procured; operating costs, quality, time and cost of delivery, terms of payment, and other factors considered.

Section 6.07. SHIPPING AND INSURANCE. (a) Selected Free World Goods financed under the Loan shall be transported to Central America 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. No such goods may be transported on any ocean vessel (or aircraft) (i) which A.I.D., in a notice to the Borrower, has designated as ineligible to

carry A.I.D. financed goods, or (ii) which has been chartered for the carriage of A.I.D. financed goods unless such charter has been approved by A.I.D.

(b) Unless A.I.D. shall determine that privately owned United States-flag commercial vessels are not available at fair and reasonable rates for such vessels, at least fifty percent (50%) of the gross tonnage of Selected Free World Goods financed under the Loan (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 shall be paid to or for the benefit of privately-owned United States-flag commercial vessels.

(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 countries of Central America 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, any country of Central America, 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 risk in the United States of America with a company or companies authorized to do a marine insurance business in any state of the United States of America.

(d) The Borrower shall insure, or cause to be insured, all Selected Free World Goods financed under the Loan against risks incident to their transit to the point of their use in the Project. Such insurance shall be issued upon terms and conditions consistent with sound commercial practice, shall insure the full value of the goods, and shall be payable in the currency in which such goods were financed or in any freely convertible currency. Any indemnification received by the Borrower under such insurance shall be used to replace or repair any material damage or any loss of the goods insured or shall be used to reimburse the Borrower for the replacement or repair of such goods. Any such replacements shall have their source and origin in the countries included in Code 935 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 6.08. 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, 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.

Section 6.09. INFORMATION AND MARKING. Borrower shall give publicity to the Loan and the Project as a program of United States aid in furtherance of the Alliance for Progress, and so identify Project activities and 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 AND LOCAL CURRENCY COSTS. The Borrower will make all sub-loan disbursements for Local Currency Costs and United States Dollar Costs, and subsequently request direct reimbursement from A.I.D., on the basis set forth in Annex I. Except as A.I.D. may otherwise require, disbursements for Local Currency Costs made by the Borrower may be reimbursed in equivalent United States dollars rather than in local currency. The procedure to be used in submitting reimbursement requests to A.I.D. will be described in Implementation Letters.

Section 7.02. OTHER FORMS OF DISBURSEMENT. Disbursements of the Loan may also be made through such other means as Borrower and A.I.D. may agree to in writing.

Section 7.03. DATE OF DISBURSEMENT. Disbursements by A.I.D. shall be deemed to occur, on the date on which A.I.D. makes a disbursement to Borrower or its designee, or on such other date as may be agreed to by Borrower and A.I.D.

Section 7.04. TERMINAL DATE FOR DISBURSEMENT. Except as A.I.D. may otherwise agree in writing, no commitment documents or amendment thereto shall be issued in response to requests received by A.I.D. after four years succeeding the date of satisfaction of initial conditions precedent under Section 3.01, and no disbursement shall be made against documentation received by A.I.D. (or any bank) after four years and six months next succeeding such date. A.I.D. at its option may at any time or times after the latter date 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 BORROWER. 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.

Section 8.02. EVENTS OF DEFAULT; ACCELERATION. If any one or more of the following events ("Events of Default") shall occur:

- (a) Borrower shall have failed to pay when due any interest or installment of Principal required under this Agreement;
- (b) Borrower shall have failed to comply with any other provision of the Agreement; or
- (c) 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 Borrower and A.I.D. or any of its predecessor agencies;

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

- (i) such unrepaid Principal and any accrued interest hereunder shall be due and payable immediately; and

- (ii) the amount of any further disbursements made under then outstanding irrevocable Letters of Credit or otherwise shall become due and payable as soon as made.

Section 8.03. SUSPENSION OF DISBURSEMENT. In the event that at any time:

- (a) An Event of Default has occurred;
- (b) An event occurs that A.I.D. determines, after consultation with Borrower, to be an extraordinary situation that makes it improbable either that the purpose of the Loan will be attained or that Borrower will be able to perform its obligations under this Agreement;
- (c) Any disbursement by A.I.D. would be in violation of the legislation governing A.I.D.;
- (d) 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 Borrower and the Government of the United States or any of its agencies; or
- (e) Satisfactory progress is not being made in carrying out all or part of the Project according to the terms of this Agreement;

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 Borrower promptly thereafter;
- (ii) decline to make disbursements other than under outstanding commitment documents;
- (iii) decline to issue additional commitment documents;
- (iv) at A.I.D. 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 Central America, are in a deliverable state and have not been offloaded in ports of entry of Central America. Any disbursement made or to be made under the Loan with respect to such transferred goods shall be deducted from Principal.

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

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

Section 8.06. REFUNDS. (a) In 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 Borrower to refund such amount in United States dollars to A.I.D. within thirty days after receipt of a request therefor. Such amount shall be made available first for the cost of goods and services procured for the Project hereunder, to the extent justified, the remainder, if any, shall be applied to the installments of Principal in the inverse order of their maturity and the amount of the Loan shall be reduced by the amount of such remainder. Notwithstanding any other provision in this agreement, A.I.D.'s right to require a refund with respect to any disbursement under the Loan shall continue for five years following the date of such disbursement.

(b) In the event that A.I.D. receives a refund from any contractor, supplier, or banking institutions, 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 not be reduced by the amount of such remainder.

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

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

Article IX. MISCELLANEOUS

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

To Borrower:

Mail Address:

Banco Centroamericano de Integración Económica
Apartado 772
Tegucigalpa, D.C.
Honduras, C.A.

Cable Address:

BANCADIE
Tegucigalpa

To A.I.D.:

Mail Address:

Regional Office for Central American Programs
8a Calle 7-86, Zona 9
Guatemala, Guatemala, C.A.

Cable Address:

ROCAP
Amembassy, Guatemala.

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 or shall be accompanied by an English translation, except as A.I.D. may otherwise agree in writing.

Section 9.02. REPRESENTATIVES. For all purposes relative to this Agreement, Borrower will be represented by the individual holding or acting in the office of the President of Borrower and A.I.D. will be represented by the individual holding or acting in the office of the Director of ROCAP. Such individuals shall have the authority to designate additional representatives by written notice. In the event of any replacement or other designation of a representative hereunder, Borrower shall submit a statement of the representative's name and a specimen signature in form and substance satisfactory to A.I.D. Until receipt by A.I.D. of written notice of revocation of the authority of any of the duly authorized representatives of Borrower designated pursuant to this Section, it may accept the signature of any such representative or representatives on any instrument as conclusive evidence that any action effected by such instrument is duly authorized.

Section 9.03. IMPLEMENTATION LETTERS. A.I.D. shall from time to time, after consultation with Borrower, 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, 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. TERMINATION UPON FULL PAYMENT. Upon payment in full of the Principal and of any accrued interest, this Agreement and all obligations of Borrower and A.I.D. under this Loan Agreement shall terminate.

Section 9.06. EFFECTIVE DATE. This Agreement shall enter into effect on the date and year indicated at the beginning of this Agreement.

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

The Central American Bank
for Economic Integration:

By: [Signed — Signé]¹
Title: President

United States of America:

By: [Signed — Signé]²
Title: Director
Regional Office for Central
American Programs

ANNEX I

PROJECT DESCRIPTION

The four-year program financed by the Project is designed *a*) to develop agribusiness activities in Central America which provide significant benefits to the rural poor, and *b*) to improve the institutional capability of CABEI and the national Intermediate Credit Institutions (ICI's) to promote and finance such agribusiness activities. The estimated \$25.0 million in project funds (comprised of \$15.0 million from A.I.D., \$5.0 million from CABEI and an anticipated \$5.0 million or more from the participating ICI's) will be utilized to finance *a*) capital goods — e.g. plant equipment, storage facilities, transportation equipment, *b*) technical assistance, and *c*) the production and/or purchase of raw materials for processing and other working capital requirements. The needs in each area will be determined on a project by project basis.

An agribusiness account will be established in CABEI. ICI and CABEI personnel will receive training in managing the program. A system for project selection will be established between CABEI and the ICI's. Approximately 50 agribusiness projects will be financed through approximately 10 participating ICI's. All sub-projects financed will have significant benefits for the small farmer. This will be assured by pre-approval review of the scope of such benefits. Eligibility will be principally determined by data contained in the Project Assessment Form (PAF).

The PAF, to be transmitted by Implementation Letter, will be used by the ICI's to identify projects that maximize small farmer participation and, therefore, are appropriate for financing under the program. The information collected in the PAF's will be used by CABEI and A.I.D. to conduct an annual evaluation of sub-projects to assess the impact of the program.

A seminar will be held for personnel from participating ICI's and CABEI to provide more detailed information on project purpose, design and implementation. PAF criteria and the methodology to be used in collecting information needed to determine eligibility will be explained.

¹ Signed by H. Dillagran — Signé par H. Dillagran.

² Signed by Lawrence E. Harrison — Signé par Lawrence E. Harrison.

The type of agribusiness activities that may be financed can be divided into five categories:

1. Agribusinesses which contribute to improve small farm agricultural production, such as suppliers of inputs, financing of improved technologies, etc.;
2. Agribusinesses which process raw materials purchased from small producers, such as fruit and vegetable processing plants, canneries, etc.;
3. Agricultural production activities related to permanent non-traditional crops grown by small farmers to supply agribusiness processors.
4. Agribusinesses which assist in the marketing of small farmer agricultural products; and
5. Agribusiness activities in which there are extraordinary employment generation benefits, although with little or no small farmer production participation.

The participating ICI's will be the focal point for sub-project identification, promotion and design, and will be responsible for identifying technical assistance needs and helping to locate appropriate sources to provide it. Technical assistance needs may be included as part of sub-project cost.

Project funds will be lent to CABEI for relending to the ICI's. No more than \$2.5 million of project funds will be loaned to any single ICI without prior A.I.D. approval. This is to encourage a wide distribution of funds and to maintain the regional integrity of the program. Terms to the ICI's, including grace periods, will vary from project to project. However, CABEI will not charge more than 6% interest and the maximum term on any loan will be 13 years. The terms from ICI's to ultimate Borrowers will also vary. However, the maximum interest rate charged will be 11%.

Disbursements of A.I.D./CABEI funds over the four-year program are estimated to be made according to the following schedule:

	<i>(Millions of US\$)</i>		
	<i>A.I.D.</i>	<i>CABEI</i>	<i>Total</i>
First year	1.5	.5	2.0
Second year	3.0	1.0	4.0
Third year	4.5	1.5	6.0
Fourth year	6.0	2.0	8.0
	<u>15.0</u>	<u>5.0</u>	<u>20.0</u>

The above represents an anticipated minimum annual CABEI contribution for each year of the project. In the event that annual actual disbursements are as projected above (or less), A.I.D. and CABEI financial participation will be on the basis of a 3:1 ratio. If disbursements are more than the above, A.I.D. disbursements each year may exceed those shown above without requiring a proportionate increase in the CABEI contribution shown for that year, provided, however, that should A.I.D.'s contribution exceed the 3:1 ratio in a given year, CABEI's subsequent disbursements shall bring the ratio to 3:1 before A.I.D. disbursements are resumed. The above schedule of disbursement will be revised to maintain a 3:1 ratio in light of actual demand and new projections. In any event, CABEI will have contributed a total of \$5.0 million by the end of the total disbursement period.