

No. 19854

**UNITED STATES OF AMERICA
and
BOLIVIA**

**Agreement relating to assistance to small farmers (with
annexes). Signed at La Paz on 24 November 1977**

Authentic texts: Spanish and English.

Registered by the United States of America on 10 June 1981.

**ÉTATS-UNIS D'AMÉRIQUE
et
BOLIVIE**

**Accord concernant une assistance à la petite agriculture
(avec annexes). Signé à La Paz le 24 novembre 1977**

Textes authentiques : espagnol et anglais.

Enregistré par les États-Unis d'Amérique le 10 juin 1981.

PROJECT AGREEMENT¹—ALLIANCE FOR PROGRESS—BETWEEN THE REPUBLIC OF BOLIVIA AND THE UNITED STATES OF AMERICA: AGRICULTURE SECTOR II PROJECT

Date: November 24, 1977

A.I.D. Loan 511-T-059

A.I.D. Grant 511-0481

PROJECT AGREEMENT, dated November 24, 1977 (the "Agreement"), between the REPUBLIC OF BOLIVIA ("Bolivia") and the UNITED STATES OF AMERICA, acting through the AGENCY FOR INTERNATIONAL DEVELOPMENT ("A.I.D.").

Article 1. THE AGREEMENT

The purpose of this Agreement is to set out the understandings of the parties named above with respect to the undertaking by Bolivia of the project described in Section 2.1 (the "Project") and the financing of the Project by the parties.

Article 2. THE PROJECT

Section 2.1. DEFINITION OF PROJECT. The Project, which is further described in Annex 1, will consist of: (1) seed processing and storage; (2) agricultural credit for production, investment and land clearing; (3) human resources development; and (4) agriculture sector management and coordination. The implementing agency for the Project will be the Ministry of Agriculture and Campesino Affairs (the "Ministry").

Annex 1, attached, amplifies the definition of the Project contained in Section 2.1. Within the limits of the definition of the Project in Section 2.1, elements of the amplified description stated in Annex 1 may be changed by written agreement of the authorized representatives of the parties named in Section 9.2 without formal amendment of the Agreement. Annex 1 identifies those elements of the Project which are grant-financed, and those which are Loan-financed.

Article 3. FINANCING

Section 3.1. THE GRANT; THE LOAN. To assist Bolivia to meet the costs of carrying out the Project, A.I.D., in furtherance of the Alliance for Progress and pursuant to the Foreign Assistance Act of 1961, as amended, agrees to grant to Bolivia under the terms of this Agreement not to exceed six hundred thousand United States dollars (\$600,000) (the "Grant") and to lend to Bolivia under the terms of this Agreement not to exceed eleven million three hundred thousand United States dollars (\$11,300,000) (the "Loan"). The aggregate amount of disbursements under the Loan constitutes the principal of the Loan.

The Loan may be used to finance U.S. dollar costs (as defined in Section 7.1) and Bolivian peso costs (as defined in Section 7.2) of goods and services required

¹ Came into force on 24 November 1977 by signature.

for the Project. The Grant may be used to finance only U.S. dollar grant costs (as defined in Section 7.3).

Section 3.2. INCREMENTAL NATURE OF GRANT. A.I.D.'s contribution to the Grant-financed portion of the Project will be provided in increments, the initial one being made available in accordance with Section 3.1. Subsequent increments of up to \$1,600,000, for a total of up to \$2,200,000, will be subject to availability of funds to A.I.D. for this purpose and to the mutual agreement of the parties to proceed at the time of a subsequent increment.

Section 3.3. BOLIVIAN RESOURCES FOR THE PROJECT. (a) Bolivia agrees to provide or cause to be provided for the Project all funds, in addition to the Loan and Grant, and all other resources reasonably required to carry out the Project effectively and in a timely manner, in accordance with the objectives of this Agreement.

(b) The resources provided by Bolivia for the Project will be not less than the equivalent of \$6,030,000 million as set forth in Annex 1, including costs borne on an "in kind" basis.

Section 3.4. PROJECT ASSISTANCE COMPLETION DATE. (a) The Project Assistance Completion Date ("PACD"), which is November 24, 1982, or such other date as the parties may agree to in writing is the date by which the parties estimate that all services financed under the Loan and Grant will have been performed and all goods financed under the Loan and Grant will have been furnished for the Project as contemplated in this Agreement.

(b) Except as A.I.D. may otherwise agree in writing, A.I.D. will not issue or approve documentation which would authorize disbursement under the Loan or Grant for services performed after the PACD or for goods furnished for the Project, as contemplated in this Agreement, after the PACD.

(c) Requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, are to be received by A.I.D. or any bank described in Section 8.1 no later than nine (9) months following the PACD, or such other period as A.I.D. agrees to in writing. After such period, A.I.D., giving notice in writing to Bolivia, may at any time or times reduce the amount of the Loan or Grant by all or any part thereof for which requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, were not received before the expiration of said period.

Article 4. LOAN TERMS

Section 4.1. INTEREST. Bolivia will pay to A.I.D. interest on the Loan which will accrue at the rate of two percent (2%) per annum for ten years following the date of the first disbursement of the Loan 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 principal balance will accrue from the date (as defined in Section 8.5) of each respective disbursement, and will be payable semi-annually. The first payment of interest will be due and payable no later than six (6) months after the first disbursement of the Loan hereunder, on a date to be specified by A.I.D.

Section 4.2. REPAYMENT. Bolivia will repay the principal to A.I.D. within forty (40) years from the date of the first disbursement of the Loan in sixty-one

(61) approximately equal semi-annual installments of principal and interest. The first installment of principal will be payable nine and one-half (9 1/2) years after the date on which the first interest payment is due in accordance with Section 4.1. A.I.D. will provide Bolivia with an amortization schedule in accordance with this Section after the final disbursement under the Loan.

Section 4.3. APPLICATION, CURRENCY, AND PLACE OF PAYMENT. All payments of interest and principal hereunder will be made in U.S. dollars and will 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, payments will be made to the Controller, Office of Financial Management, Agency for International Development, Washington, D.C., 20523, U.S.A., and will be deemed made when received by such office.

Section 4.4. PREPAYMENT. Upon payment of all interest and any refunds then due, Bolivia may prepay, without penalty, all or any part of the principal. Unless A.I.D. otherwise agrees in writing, any such prepayment will be applied to the installments of principal in the inverse order of their maturity.

Section 4.5. RENEGOTIATION OF TERMS. (a) Bolivia and A.I.D. agree to negotiate, at such time or times as either may request, an acceleration of the repayment of the Loan in the event that there is any significant and continuing improvement in the internal and external economic and financial position and prospects of Bolivia, which enable Bolivia to repay principal and interest on a different schedule.

(b) Any request by either party to the other to so negotiate will be made pursuant to Section 9.2 and will give the name and address of the person or persons who will represent the requesting party in such negotiations.

(c) Within thirty (30) days after delivery of a request to negotiate, the requested party will communicate to the other, pursuant to Section 9.2, the name and address of the person or persons who will represent the requested party in such negotiations.

(d) The representatives of the parties will meet to carry on negotiations no later than thirty (30) days after delivery of the requested party's communication under sub-section (c). The negotiations will take place at a location mutually agreed upon by the representatives of the parties; provided that, in the absence of mutual agreement, the negotiations will take place at the office of the National Institute of Finance ("INDEF"), or successors, in La Paz, Bolivia.

Section 4.6. TERMINATION ON FULL PAYMENT. Upon payment in full of the principal and any accrued interest, this Agreement and all obligations of Bolivia and A.I.D. relating to the provisions of this Agreement will terminate except for any obligations under Sections B.3 or D.6, of Annex 2, with respect to Grant funds.

Article 5. CONDITIONS PRECEDENT TO DISBURSEMENT

Section 5.1. CONDITIONS PRECEDENT TO INITIAL DISBURSEMENT. Prior to the first disbursement of the Loan or Grant, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, Bolivia will, acting through the Ministry of Campesino Affairs and Agriculture, except as A.I.D. may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

(a) A legal opinion of the Attorney General of Bolivia or other counsel acceptable to A.I.D. to the effect that the Project Agreement has been duly authorized and/or ratified by, and executed on behalf of Bolivia, and that it constitutes a valid and legally binding obligation of Bolivia in accordance with all of its terms;

(b) A statement of the name of the person for Bolivia holding or acting in the office specified in Section 9.2, and of any additional representatives, together with a specimen signature of each person specified in such statement.

Section 5.2. CONDITIONS PRECEDENT TO DISBURSEMENT OTHER THAN FOR TECHNICAL ASSISTANCE. Prior to disbursement of the Loan or Grant, or the issuance by A.I.D. of documentation pursuant to which disbursement will be made, for any purpose other than to finance technical assistance services, the Ministry will, except as A.I.D. may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

- (a) A financial plan for the Project specifying the amount and timing of Bolivia's contributions during the life of the Project;
- (b) A time-phased implementation plan covering all Project activities;
- (c) A maintenance plan for all vehicles and equipment to be procured with Loan funds.

Section 5.3. CONDITIONS PRECEDENT TO DISBURSEMENT FOR CREDIT FUND CAPITALIZATION. Except as A.I.D. may otherwise agree in writing, prior to any disbursement or the issuance by A.I.D. of documentation pursuant to which disbursement will be made to finance credit fund capitalization, the Ministry shall furnish to A.I.D. in form and substance satisfactory to A.I.D.:

- (a) Evidence of the adoption by the Bolivian Agricultural Bank ("BAB") of simplified small farmer loan application form for both the Agriculture Sector I Project (AID Loan 511-T-053) credit program and the credit programs included in this Project;
- (b) A plan for the simplification of the BAB small farmer loan application processing procedure for both the Agriculture Sector I Project credit program and the credit programs included in this Project, which will be included in an operations manual; and
- (c) A plan for ensuring that the Bolivian Development Corporation's ("CBF") edible oil processing plant at Villamontes pays farmers for their peanuts and soybeans at the time of delivery.

In cases where these farmers have payments due to the BAB, this plan will provide for CBF payments directly to the BAB to cancel these obligations.

Section 5.4. CONDITIONS PRECEDENT TO DISBURSEMENT FOR ANY INDIVIDUAL CONSTRUCTION SUBPROJECT. Except as A.I.D. may otherwise agree in writing, prior to any disbursement or the issuance by A.I.D. of documentation pursuant to which disbursement will be made to finance any individual construction subproject, the Ministry shall furnish to A.I.D. in form and substance satisfactory to A.I.D.:

- (a) Evidence of clear title to the land upon which construction is to take place;

- (b) Final plans and specifications, bid documents, bid awards and contracts for construction for the individual subprojects; and
- (c) A maintenance plan for the facilities to be constructed.

Section 5.5. NOTIFICATION OF MEETING CONDITIONS PRECEDENT. When the conditions precedent specified in Sections 5.1, 5.2, 5.3 and 5.4 have been satisfactorily met, A.I.D. will notify Bolivia within seven days.

Section 5.6. TERMINAL DATES FOR CONDITIONS PRECEDENT. (a) If all the conditions specified in Section 5.1 have not been met within 90 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 seven days' prior written notice to Bolivia.

(b) If all of the conditions specified in Section 5.2 and 5.3 have not 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 cancel the then undisbursed balances of the Loan and Grant, to the extent not irrevocably committed to third parties, and may terminate this Agreement by seven days' prior written notice to Bolivia. In the event of such termination, Bolivia will repay immediately the principal then outstanding and any accrued interest.

Article 6. SPECIAL COVENANTS

Section 6.1. BUDGETARY SUPPORT FOR OPERATIONS. Bolivia covenants to provide adequate operational budgets to all agencies actively involved in the Project.

Section 6.2. MAINTENANCE OF VALUE OF CREDIT FUNDS. Bolivia covenants to maintain the full value of the small farmer credit funds under the Project and that repayments to such funds will be utilized for relending to eligible small farmers for production and investment credit.

Section 6.3. MAINTENANCE AND REPAIR. Bolivia covenants to carry out an effective program of maintenance and repair, including necessary funding therefor, for all equipment provided and facilities constructed under the Project.

Section 6.4. ANNUAL PROJECT EVALUATION. Bolivia covenants to evaluate on an annual basis jointly with A.I.D. progress towards meeting project goals and targets based on the evaluation system to be established as part of the Project.

Article 7. PROCUREMENT SOURCE

Section 7.1. U.S. DOLLAR COSTS (LOAN). Disbursements under the Loan pursuant to Section 8.1 will be used exclusively to finance the costs of goods and services required for the Project having their source and origin in countries included in Code 941 of the A.I.D. Geographic Code Book as in effect at the time orders are placed or contracts entered into for such goods and services ("dollar costs"), except as A.I.D. may otherwise agree in writing, and except as provided in Annex 2 (Standard Provisions Annex) Section C.1(b) with respect to marine insurance.

Section 7.2. BOLIVIAN PESO COSTS (LOAN). Disbursements under the Loan pursuant to Section 8.2 will be used exclusively to finance the costs of goods

and services required for the Project having their source and, except as A.I.D. may otherwise agree in writing, their origin in Bolivia ("Bolivian peso costs").

Section 7.3. U.S. DOLLAR COSTS (GRANT). Disbursements under the Grant pursuant to Section 8.1 will be used exclusively to finance the costs of goods and services required for the Project having their source and origin in countries included in Code 000 of the A.I.D. Geographic Code Book as in effect at the time orders are placed or contracts entered into for such goods and services except as A.I.D. may otherwise agree in writing.

Article 8. DISBURSEMENTS

Section 8.1. DISBURSEMENT FOR DOLLAR COSTS (LOAN AND GRANT). (a) After satisfaction of conditions precedent, Bolivia may obtain disbursements of funds under the Loan for dollar costs or under the Grant for the dollar costs (Grant) of goods or services required for the Project in accordance with the terms of the Agreement, by such of the following methods as may be mutually agreed upon:

- (1) By submitting to A.I.D. with necessary supporting documentation as prescribed in Project Implementation Letters, requests for reimbursement for such goods or services, or requests for A.I.D. to procure commodities or services on behalf of Bolivia for the Project; or
- (2) By requesting A.I.D. to issue Letters of Commitment for specified amounts to one or more U.S. banks, satisfactory to A.I.D., committing A.I.D. to reimburse such bank or banks for payments made by them to contractors or suppliers, under Letters of Credit or otherwise, for such goods or services.

(b) Banking charges incurred by Bolivia in connection with Letters of Commitment and Letters of Credit will be financed under the Loan unless Bolivia instructs A.I.D. in advance to the contrary.

Section 8.2. DISBURSEMENT FOR BOLIVIAN PESO COSTS (LOAN). (a) After satisfaction of conditions precedent, Bolivia may obtain disbursement of funds under the Loan for Bolivian peso costs required for the Project in accordance with the terms of this Agreement, by submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters, requests to finance such costs.

(b) The Bolivian pesos needed for such disbursement hereunder may be obtained by acquisition by A.I.D. with U.S. dollars by purchase.

(c) The U.S. dollar equivalent of the Bolivian pesos made available hereunder will be, in the case of subsection (b) above, the amount of U.S. dollars required by A.I.D. to obtain the Bolivian pesos in accordance with the provisions of Section 8.4.

Section 8.3. OTHER FORMS OF DISBURSEMENT. Disbursements of the Loan or the Grant may also be made through such other legal means as the parties may agree to in writing.

Section 8.4. RATE OF EXCHANGE. Except as may be more specifically provided under Section 8.2, if funds provided under the Loan or the Grant are introduced into Bolivia by A.I.D., or any public or private entity for purposes of carrying out obligations of A.I.D. hereunder, Bolivia will make such arrangements as may be necessary so that such funds may be converted into Bolivian

pesos at the highest beneficial rate of exchange which, at the time the conversion is made, is not unlawful in Bolivia.

Section 8.5. DATE OF DISBURSEMENT. Disbursements of the Loan and Grant by A.I.D. will be deemed to occur (a) on the date on which A.I.D. makes a disbursement to Bolivia or its designee, or to a bank, contractor or supplier pursuant to a Letter of Commitment or Letter of Credit; (b) on the date on which A.I.D. disburses to Bolivia or its designee Bolivian pesos acquired in accordance with Section 8.2(b); or (c) in the case of disbursements pursuant to Section 8.3, on the date specified in the other form of disbursement documents.

Article 9. MISCELLANEOUS

Section 9.1. COMMUNICATIONS. Any notice, request, document or other communication submitted by either party to the other under this Agreement will be in writing or by telegram or cable, and will be deemed duly given or sent when delivered to such party at the following address:

To Bolivia:

Mail address:

Ministry of Finance
c/o INDEF
La Paz, Bolivia

Cable address:

MINFINANZAS
c/o INDEF
La Paz, Bolivia

To A.I.D.:

Mail address:

United States AID Mission to Bolivia
c/o United States Embassy
La Paz, Bolivia

Cable address:

USAID, AmEmbassy
La Paz, Bolivia

All such communications will be in English, unless the parties otherwise agree in writing. However, communications at the level of the USAID/Bolivia Mission may be in either English or Spanish. Other addresses may be substituted for the above upon the giving of prior notice.

Section 9.2. REPRESENTATIVES. For all purposes relevant to this Agreement, Bolivia will be represented by the individual holding or acting in the office of the Minister of Finance (or Executive Director of INDEF) and for purposes of the execution of the Project, the Minister of Campesino Affairs and Agriculture and A.I.D. will be represented by the individual holding or acting in the office of Mission Director; each of whom, by written notice, may designate additional representatives for all purposes other than exercising the power under Section 2.1 to revise elements of the amplified description in Annex 1. The names of the representatives of Bolivia, with specimen signatures, will be provided to A.I.D.,

which may accept as duly authorized any instrument signed by such representatives in implementation of this Agreement, until receipt of written notice of revocation of their authority.

Section 9.3. STANDARD PROVISIONS ANNEX. A Combined Loan and Grant Standard Provisions Annex (Annex 2) is attached to and forms part of this Agreement.

Section 9.4. CONTROLLING LANGUAGE. This Agreement is executed in both the English and Spanish languages. In case of inconsistency or conflict between the two versions, the English version shall control.

EN TESTIMONIO DE LO CUAL, la República de Bolivia y los Estados Unidos de América, actuando cada cual por medio de sus respectivos representantes debidamente autorizados, han suscrito el presente Convenio en sus nombres y lo han otorgado en el día y el año mencionados en el encabezamiento.

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

República de Bolivia:
Republic of Bolivia:

HUGO BANZER SUÁREZ
Presidente de la República
President of the Republic

DAVID BLANCO
Ministro de Finanzas
Minister of Finance

ALBERTO NATUSCH BUSCH
Ministro de Asuntos Campesinos y Agropecuarios
Minister of Agriculture and Campesino Affairs

Estados Unidos de América:
United States of America:

FRANK B. KIMBALL
Director USAID/Bolivia
USAID/Bolivia Mission Director

PAUL H. BOEKER
Embajador de los Estados Unidos
United States Ambassador

ANNEX 1

DETAILED PROJECT DESCRIPTION

Summary

The Project will seek to increase the availability to the small farmer of needed inputs, particularly land and improved seed and to provide him with the production and investment credit necessary for the purchase of such inputs. This objective will be sought through (1) increasing the production capacity of certified seed, (2) supporting a small farmer production and investment credit program and (3) carrying out a small farmer land clearing credit program. The project is also aimed at developing the agricultural sector's human resources and improving its management and coordination.

A. Introduction

A.I.D. financing for the Project will total \$13.5 million, \$11.3 million in loan funds and \$2.2 million in grant funds, which will be provided in accordance with Section 3.2 of this Agreement. The Bolivian contribution will consist of \$5,685,000 from Bolivia and \$345,000 from the Tarija Development Committee (CODETAR) for a total of \$6,030,000.

Project activities will be concentrated in the southern intermountain valleys of Chuquisaca, Potosí and Tarija Departments. Small farmers in these areas will benefit directly from Project-financed seed processing and storage activities, as well as production, investment and land clearing provided by the Project. They will benefit indirectly from Project human resource development and sector management and coordination activities.

B. Project Elements

The Project consists of four elements: (1) seed processing and storage, (2) agricultural credit for production, investment and land clearing, (3) human resources development and (4) agricultural sector management and coordination.

1. Seed Processing and Storage

Activities to be financed under the Project in this area include: expansion of seed processing/storage capacity, capitalization of the rotating seed purchase fund, training and technical assistance.

a. *Expansion of Seed Processing/Storage Capacity.* Three new small seed processing/storage facilities will be built and equipped in the Project area, and three existing facilities in the Agriculture Sector I (Loan 511-T-053) project area, i.e., the central valleys and eastern lowlands, will be significantly upgraded. New seed processing/storage facilities will be located at Betanzos (Potosí), Zudañez (Chuquisaca) and Yacuiba (Tarija). Existing facilities will be upgraded include Warnes (Santa Cruz), Coña-Coña (Cochabamba) and Las Barrancas (Tarija). AID's contribution to the construction and upgrading of these seed processing and storage facilities will consist of construction, processing machinery and equipment, laboratory equipment, office equipment and vehicles.

b. *Capitalization of Rotating Seed Purchase Fund.* The A.I.D. Loan will provide up to \$250,000 to increase the capitalization of the existing National Seed Program Rotating Seed Purchase Fund administered by the Ministry of Campesino Affairs and Agriculture (MACA). The present capitalization of this fund is \$292,000. It is estimated that by 1981 the required capitalization of this fund will be approximately \$700,000. Thus approximately \$150,000 of Bolivian resources will be required in addition to the resources provided by the A.I.D. loan.

c. *Training.* A.I.D. will finance training in relation to the seed component. It is anticipated that one or two technicians would receive long-term non-degree training in the U.S.A. or other countries in A.I.D. Geographic Code 941 and that other MACA seed technicians would receive in-service training for shorter periods in other countries included

in A.I.D. Geographic Code 941 having similar seed programs. Training would focus on the proper operation of seed plants and laboratories.

d. *Technical Assistance.* The grant element of the Project will provide for approximately 18 months of technical assistance to the National Seed Program to assist the Program in the areas of quality control, production, processing, and distribution. In addition, short-term loan-funded technical assistance will be made available as needed in the above areas; approximately 7 to 10 months of short-term assistance will be required.

In addition to the \$150,000 of Bolivian resources for further capitalization of the Rotating Seed Fund, Bolivia will provide for the increased administrative and personnel costs that the expansion of the National Seed Program will require, as well as the land on which the new facilities will be constructed.

2. *Agricultural Credit for Production, Investment and Land Clearing*

This Project component extends the geographic coverage of the Bolivian Agricultural Bank's (BAB) small farmer credit program (SFCP) to Bolivia's southern valleys and broadens the SFCP to include a special credit line for land clearing, the existence of which is deemed crucial for small farmer development in certain areas of the southern valleys.

a. *Expansion of the Geographic Area Served by the SFCP.* The SFCP is a credit program established under A.I.D. Loan 511-T-053, specifically designed to meet the production and investment credit needs of small farmers. Under this Project, the SFCP's geographic coverage will be expanded to include the southern intermountain valley areas of the Departments of Chuquisaca, Potosí and Tarija which were not included in the original program. The expanded SFCP area will thus include Bolivia's central and southern intermountain valleys and the developing eastern lowland valleys.

Loan capital in the SFCP regular line will be increased by a total of \$4.7 million, \$3.5 million of which will come from the A.I.D. loan and \$1.2 million of which will come from the Treasury of Bolivia. The total amount will be a contribution by Bolivia to the BAB's capital, i.e., A.I.D. loan principal and interest payments will be borne by the Bolivian Treasury and not by the SFCP fund or the BAB.

Bolivia will provide \$400,000 towards the administrative costs of the SFCP through its regular budget transfer to the BAB. Administrative costs in excess of this amount may be financed from resources generated from the interest rate on subloans. Earnings of the fund not required for the program's administrative expenses will be used to increase the lending capital of the SFCP.

In addition to its contribution to loan capital the A.I.D. loan will provide overseas training, jeep-type vehicles and office equipment in support of the SFCP regular credit program. Approximately two years of grant-funded long-term technical assistance will be provided BAB to assist in program implementation, refinement and evaluation.

BAB employees will receive 25 worker/months of non-degree training overseas. Alternatively, an appropriate agricultural credit course, such as that offered by the United States Department of Agriculture (USDA), might be brought to or organized in Bolivia and financed by loan funds. Bolivia, through the BAB, will provide the per diem, travel, and other minor local costs associated with in-country training seminars of SFCP agents. It is anticipated that such seminars will be organized by the BAB on an annual basis.

The BAB will open a minimum of seven new agencies in the Project area, in locations mutually agreed on by Bolivia and A.I.D. Loan funds may be used to purchase office equipment for these new agencies. In addition, loan funds may be used to purchase up to ten jeep-type vehicles for use in the program.

The operation of the SFCP will be governed by a detailed Operations Manual which will be mutually agreed upon by Bolivia and A.I.D. prior to the initiation of SFCP activities

under this Project. This manual, in addition to outlining responsibilities, procedures and samples of required documentation, will include the following sub-loan eligibility criteria:

- (1) Demonstration of potential to achieve a production level beyond family maintenance requirements (usually involving adoption of a new technique requiring credit for purchase of modern inputs, for significant farm improvements, or to permit the cultivation of larger areas of land).
- (2) The loan size limit to any one farm unit will not exceed \$5,000 annually for a combined operating and investment loan.
- (3) A farm operating unit will be considered outside of the target group when net income from farming operations exceeds \$1,500 per family or gross off-farm sales exceed \$2,000.
- (4) No farm with more than 10 hectares of cultivated land will be eligible for credit.
- (5) The principal source of the farm family's income must be agriculture.
- (6) The prospective borrower does not have ready access to other credit sources under reasonable terms and conditions.
- (7) Loan repayment ability exists solely from farm income or in combination with seasonal off-farm income. In the event that off-farm income is a factor in loan repayment, it must be established that work is available and that this does not adversely affect carrying out the improved farming program agreed upon.

Loans may be made for annual production inputs, including family and paid labor or for investment in orchards, livestock, machinery, or land and farmstead improvements. Investment credit may be granted for a period of up to eight years with an appropriate grace period. There is no predisposition as to the relative proportions of investment vs production credit; these will be determined by demand.

The minimum annual interest charged on sub-loans shall be thirteen percent per annum. This rate may be subsequently modified if mutually agreed by Bolivia and A.I.D.

b. *Expansion of the SFCP Scope to Include Land Clearing.* In certain areas of the southern valleys, such as the Humid Chaco area of Tarija Department, a major factor limiting the agricultural opportunities of small farmers is the lack of suitably prepared land. The scope of the SFCP will be expanded under the Project to include land clearing in these areas in order to meet this need.

A.I.D.'s most important input into the SFCP-financed land clearing program will be \$2,450,000 of loan capital to the SFCP for sub-loans to small farmers. This amount will pay for approximately \$1,135,000 of land clearing equipment and spare parts, approximately \$90,000 of maintenance and repair shop equipment and tools, equipment services for the first year of the program provided by CODETAR, and operating costs. Since the clearing of one hectare of land is estimated to cost \$245, this loan capital should be sufficient to provide small farmers with loans to clear a total of 10,000 hectares.

In addition to the loan capital, A.I.D. loan funds will be used to finance approximately \$165,000 of land clearing equipment and spare parts and approximately \$135,000 of maintenance and repair shop equipment and tools for CODETAR. These amounts will not be amortized through charges to small farmer loans. Short-term technical assistance to CODETAR and up to eight jeep-type vehicles and office equipment for BAB's use in the land clearing activity will also be financed with A.I.D. loan funds. A.I.D. grant funds will finance approximately 5 man-years of long-term technical assistance to CODETAR to advise on the implementation of the land clearing program.

The contribution of Bolivia will consist of the extension services of the Oilseed Program of the Bolivian Institute of Agricultural Technology (IBTA) in promoting and organizing small farmer participation in the program and \$245,000 towards BAB operating expenses. CODETAR will fund (1) construction of the maintenance and repair workshop,

(2) salaries and fringe benefits of central administrative office personnel, the field supervisors and the workshop supervisor, (3) travel and per diem expenses of these Bolivian personnel, (4) office supplies and (5) operating costs of 3 A.I.D. loan-financed jeep-type vehicles.

CODETAR, under the supervision of MACA, will be in charge of carrying out the land clearing project activities for small farmers in the Chaco Húmedo area of Tarija. During the first year of the program operation, CODETAR will use its existing equipment for the program. In the following years, CODETAR will receive in trust the necessary equipment to complete the clearing of approximately 10,000 hectares of land. From the resources generated by land clearing loans to small farmers, CODETAR will be reimbursed by the BAB for operating and capital costs of its own machinery and for the operating costs of the machinery which it will operate in trust and which will be turned over to it at the end of the project.

The extensionists in IBTA's Oilseed Program and BAB's credit agents will work closely with CODETAR personnel in the promotion, organization and execution of this program. The interinstitutional relationships, responsibilities, and payment scheme will be elaborated in a formal interinstitutional agreement which will form part of the implementation plan required under Section 5.2 of this Agreement. The Bolivian institutions that should be signatories to such an agreement are MACA, BAB, CBF, and CODETAR.

The SFCP Operations Manual mentioned previously will contain a special section on the operation of the land clearing credit in which the following criteria will be incorporated:

All the criteria governing the SFCP production and investment program less numbers (2) and (5) plus the following criteria will apply to the financing of land clearing activity:

- (1) Credits may be used (i) to clear forest land (*desmontar*), (ii) to remove logs, stumps and roots from land (*destroncar*), and (iii) to improve drainage and rehabilitate existing irrigation facilities on land which has been cleared or had the logs, stumps and roots removed under this program.
- (2) In no case will credit be given for the construction of new irrigation works.
- (3) Land to be cleared on any one farm under the SFCP may range from a minimum of one hectare to a maximum of ten hectares, with the limitation that presently cleared land plus the land to be cleared will not exceed a total of ten hectares.
- (4) Credit granted for land clearing will be granted only for use within the guidelines established by agreement between MACA/BAB/CODETAR.
- (5) Credit granted for land clearing under this line may not exceed \$3,000 per family. It may, however, be combined with other production and investment credits such as the regular SFCP line, the SNDC CROFOC line, FRA-2, or any other source of credit.
- (6) The maximum loan period for land clearing credit will be five years. The repayment schedule will be suited to the farmer's projected cash flow and an appropriate grace period not to exceed one year may be granted.

3. Human Resources Development

This project element continues at the modest level the efforts begun under Agricultural Sector I (A.I.D. Loan 511-T-053) to improve the quality of the agricultural education the Universidad Mayor de San Simón in Cochabamba and the Universidad Mayor Gabriel René Moreno in Santa Cruz. Up to 240 months of training will be provided for twelve current or prospective faculty members of these universities to the M.S. level in the U.S. or other countries included in the A.I.D. Geographic Code 941 in the disciplines of agricultural economics and rural sociology; plant and animal sciences; soils, agricultural engineering and irrigation; and forest and range management.

In addition to faculty training, this component will improve laboratory facilities, acquire library reference materials and teaching aids, and purchase limited field equipment for both universities. At the Universidad San Simón a building will be constructed to house the National Entomology Laboratory, a basic tool for working in plant protection. Equipment will be procured to complete the Food Technology Laboratory. Laboratory equipment will also be provided to the Universidad Gabriel René Moreno to partially equip its Agricultural Engineering Department.

The universities in both Santa Cruz and Cochabamba have experimental farms which require traction equipment. The Project will provide one tractor and its implements for the Universidad San Simón in Cochabamba and two tractors and implements for the Universidad Gabriel René Moreno in Santa Cruz. Both universities will receive small amounts of library reference materials and teaching aids.

Bolivia will contribute administrative costs including salaries and operating expenses for this Project component.

4. *Sectoral Management and Coordination*

This project element has two major components to improve MACA sectoral planning, coordination, and management capabilities at the central level, and to improve intra-sectoral coordination and institutional outreach at the departmental level.

a. *Sectoral Planning, Coordination and Management at the Central Level.* The Project will finance technical assistance, data development (area sample frame) and training in support of efforts to improve sectoral planning, coordination and management at the central level.

1) *Technical Assistance.* Technical assistance will be provided for sector planning, data management and organization and methods.

a) *Sectoral Planning.* Approximately three years of technical assistance will be provided to MACA's sectoral planning office to assist in refinement of the Five Year Agricultural Plan, development of program planning, evaluation and control system and refinement of the sectoral linear programming model. This advisor will also provide advice on the preparation of policy studies.

b) *Data Management.* Three man-years of technical assistance of a broad gauge systems analyst/programmer will be provided. This advisor will train the personnel of MACA's new electronic data processing unit which is about to be organized around MACA's Agricultural Sector I financed intelligent computer terminal. This terminal will be used to gain access to the agricultural data banks, which are in the process of being created. The computer will also be used for such administrative functions as program, budget, and inventory control.

c) *Organization and Method.* Approximately four years of technical assistance will be needed to assist MACA's planning and administrative offices in designing and implementing new administrative systems, including program budgeting. In addition, approximately 10 man-months of short-term technical assistance will be furnished to supplement the skills of the long-term grant-funded advisors. Also, the Project will finance the purchase by MACA of equipment and supplies needed for the establishment of new management systems.

2) *Data Development (Area Sample Frame).* Work on the development of an area sampling frame was initiated under the Agriculture Sector I Project. This Project will finance the completion of the area sample frame. This task requires the enlargement of approximately 1,450 aerial photos, 160 man-days of short-term assistance from the USDA or other sources and the purchase of required materials and supplies.

3) *Training.* It is anticipated that this Project component will finance the long-term training of two individuals, possibly to the M.S. level, and the short-term training abroad of approximately six additional individuals. Several in-country short-term training courses or seminars will be held for another 30 individuals.

b. *Intra-sectoral Coordination and Institutional Outreach at the Departmental Level.* Funding will be provided for the construction and equipping of two new agricultural service centers in the Departments of Potosí and Tarija. As in the case of the Agriculture Sector I Project, these service centres will improve coordination through the location of all MACA departmental facilities in one building. The service centers will house the regional offices of IBTA, the MACA, seed, irrigation and soils departments, the Servicio Nacional de Desarrollo de la Comunidad, and BAB, as well as MACA's Departmental Director.

C. *Financial Plan*

An illustrative Summary Cost Estimate and Financial Plan is set out in Table 1.

CUADRO 1

TABLE 1

*Resumen estimado del costo y plan financiero (en miles de US\$)**Summary Cost Estimate and Financial Plan (\$ thousand)*

	A.I.D.					Contribución local Local contribution			
	Donación/ Grant	Préstamo/Loan				Bolivia	CODETAR	Total	
	ME/FX	ME/FX	ML/LC	Total	Total	ML/LC	ML/LC	ML/LC	Total
A. Asistencia técnica/Technical assistance									
1. Largo plazo/Long-term	1 850	—	—	—	1 850	—	—	—	1 850
2. Corto plazo/Short-term	—	280	—	280	280	—	—	—	280
B. Capacitación/Training									
1. En el extranjero/Overseas									
a. Académica/Academic	—	295	—	295	295	—	—	—	295
b. No académica/Non-academic	—	115	—	115	115	—	—	—	115
2. En el país/In-country	—	—	—	—	—	50	—	50	50
C. Equipo y vehículos/Equipment and vehicles	—	1 355	—	1 355	1 355	—	—	—	1 355
D. Capital de préstamo/Loan capital									
1. Fondo ordinario del PCPA/SFCP Regular Fund ...	—	—	3 500	3 500	3 500	1 200	—	1 200	4 700
2. Fondo para desmonte del terreno del PCPA/SFCP Land Clearing Fund	—	1 225	1 225	2 450	2 450	—	—	—	2 450
E. Fondo rotativo de semillas/Seed Rotating Fund	—	—	250	250	250	150	—	150	400
F. Administración/Administration	—	—	—	—	—	3 340	215	3 555	3 555
G. Construcción/Construction	—	—	1 175	1 175	1 175	—	75	75	1 250
Subtotal	1 850	3 270	6 150	9 420	11 270	4 740	290	5 030	16 300
Inflación/Inflation (15%)	260	490	920	1 410	1 670	710	40	750	2 420
Contingencias/Contingency (5%)	90	165	305	470	560	235	15	250	810
TOTAL	2 200	3 925	7 375	11 300	13 500	5 685	345	6 030	19 530
Porcentaje/Percent					69%			31%	100%

El Cuadro 2 a continuación presenta el estimado actual de las contribuciones anuales del Gobierno de Bolivia al Proyecto:

Table 2 below presents the current estimate of annual contributions to the Project by Bolivia.

CUADRO 2

TABLE 2

*Costos del Proyecto del Gobierno boliviano (en miles de US\$)**

*GOB Project Costs (\$ thousands)**

	Año calendario/Calendar year					
	1978	1979	1980	1981	1982	Total
A. Gastos en efectivo/Cash outlays						
1. Capacitación en el País/In-country training	10	20	20	—	—	50
2. Capital de préstamo/Loan Capital	170	205	240	275	310	1 200
3. Fondo rotativo para semillas/Seed Rotating Fund	18	18	38	38	38	150
4. Sueldos al personal/Personnel salaries ...	242	392	424	477	452	1 987
5. Costos de operación/Operating costs	57	130	139	112	96	534
Subtotal efectivo/Subtotal cash	497	765	861	902	896	3 921
B. Contribución "en especie"/"In-kind" contribution						
1. Sueldos al personal/Personnel salaries ...	59	112	111	112	120	514
2. Costos de operación/Operating costs	36	66	66	68	69	305
Subtotal "en especie"/Subtotal "in-kind"	95	178	177	180	189	819
TOTAL	592	943	1 038	1 082	1 085	4 740
Inflación/Inflation (15%)						710
Contingencias/Contingency (5%)						235
GRAN TOTAL/GRAND TOTAL						5 685

* Incluye los costos del MACA y el BAB, pero no los costos de CODETAR.
Includes MACA and BAB, but not CODETAR costs.

ANNEX 2

COMBINED LOAN AND GRANT PROJECT AGREEMENT
STANDARD PROVISIONS ANNEX*Definitions*

As used in this Annex the "Agreement" refers to the Project Agreement to which this Annex is attached and of which this Annex forms a part. Terms used in this Annex have the same meaning or reference as in the Agreement.

Article A. PROJECT IMPLEMENTATION LETTERS

To assist Bolivia in the implementation of the Project, A.I.D., from time to time, will issue Project Implementation Letters that will furnish additional information about matters stated in this Agreement. The parties may also use jointly agreed-upon and signed Project Implementation Letters to confirm and record their mutual understanding on aspects of the implementation of this Agreement. Project Implementation Letters will not be used to amend the text of the Agreement, but can be used to record revisions or exceptions which are permitted by the Agreement, including the revision of elements of the amplified description of the Project in Annex 1.

Article B. GENERAL COVENANTS

Section B.1. CONSULTATION. The parties will cooperate to assure that the purpose of this Agreement will be accomplished. To this end, the parties, at the request of either, will exchange views on the progress of the Project, the performance of obligations under this Agreement, the performance of any consultants, contractors or suppliers engaged on the Project, and other matters relating to the Project.

Section B.2. EXECUTION OF PROJECT. Bolivia will:

- (a) Carry out the Project or cause it to be carried out with due diligence and efficiency, in conformity with sound technical, financial, and management practices, and in conformity with those documents, plans, specifications, contracts, schedules or other arrangements, and with any modifications therein, approved by A.I.D. pursuant to this Agreement; and
- (b) Provide qualified and experienced management for, and train such staff as may be appropriate for the maintenance and operation of the Project, and, as applicable for continuing activities, cause the Project to be operated and maintained in such manner as to assure the continuing and successful achievement of the purposes of the Project.

Section B.3. UTILIZATION OF GOODS AND SERVICES. (a) Any resources financed under the Loan or Grant will, unless otherwise agreed in writing by A.I.D., be devoted to the Project until the completion of the Project, and thereafter will be used so as to further the objectives sought in carrying out the Project.

(b) Goods or services financed under the Loan or Grant, except as A.I.D. may otherwise agree in writing, will not be used to promote or assist a foreign aid project or activity associated with or financed by a country not included in Code 935 of the A.I.D. Geographic Code Book as in effect at the time of such use.

Section B.4. TAXATION. (a) This Agreement, and the Loan or Grant will be free from, and the principal and interest of the Loan will be paid free from, any taxation or fees imposed under laws in effect in Bolivia.

(b) (1) Any foreign contractor, including any consulting firm, any foreign personnel of such contractor financed under the Loan or Grant, and any property or transaction relating directly to such contracts and (2) any commodity procurement transaction financed under the Loan or Grant, are exempt from identifiable taxes, tariffs, duties or other levies imposed under laws in effect in Bolivia.

(c) To the extent any such contractor or commodity may not be exempt from such taxes in Bolivia, Bolivia will pay or reimburse the same with funds other than those provided under the Loan or Grant.

Section B.5. REPORTS, RECORDS, INSPECTIONS, AUDIT. Bolivia will:

- (a) Furnish A.I.D. such information and reports relating to the Project and to this Agreement as A.I.D. may reasonably request;
- (b) Maintain or cause to be maintained, in accordance with generally accepted accounting principles and practices consistently applied, books and records relating to the Project and to this Agreement, adequate to show, without limitation, the receipt and use of goods and services acquired under the Loan or Grant. Such books and records will be audited regularly, in accordance with generally accepted auditing standards, and maintained for three years after the date of last disbursement by A.I.D.; such books and records will also be adequate to show the nature and extent of solicitations of prospective suppliers of goods and services acquired, the basis of award of contracts and orders, and the overall progress of the Project toward completion; and
- (c) Afford authorized representatives of A.I.D. the opportunity at all reasonable times to inspect the Project, the utilization of goods and services financed by A.I.D., and books, records and other documents relating to the Project and the Loan or Grant.

Section B.6. COMPLETENESS OF INFORMATION. Bolivia confirms that to the best of its knowledge:

- (a) The facts and circumstances of which it has informed A.I.D., or caused A.I.D. to be informed, in the course of reaching agreement with A.I.D. on the Loan or Grant, are accurate and complete, and include all facts and circumstances that might materially affect the Project and the discharge of responsibilities under this Agreement, and
- (b) It will inform A.I.D. in timely fashion of any subsequent facts and circumstances that might materially affect, or that it is reasonable to believe might so affect, the Project or the discharge of responsibilities under this Agreement.

Section B.7. OTHER PAYMENTS. Bolivia affirms that to the best of its knowledge no payments have been received and that Bolivia will take every reasonable measure to assure that none will be received by any official of Bolivia in connection with the procurement of goods or services financed under the Loan or Grant except fees, taxes, or similar payment legally established in Bolivia.

Section B.8. INFORMATION AND MARKING. Bolivia will give appropriate publicity to the Loan and Grant and the Project as a program to which the United States has contributed, identify the Project site, and mark goods financed by A.I.D., as described in Project Implementation Letters.

Article C. PROCUREMENT PROVISIONS

Section C.1. SPECIAL RULES. (a) The source and origin of ocean and air shipping will be deemed to be the ocean vessel's or aircraft's country of registry at the time of shipment.

(b) Premiums for marine insurance placed in Bolivia will be deemed an eligible dollar cost, if otherwise eligible under Section C.7(a).

(c) Any motor vehicles (defined as automobiles, motorcycles, and trucks) financed under the Loan or Grant will be of United States manufacture, except as A.I.D. may otherwise agree in writing.

(d) Transportation by air, financed under the Grant, of property or persons (and their personal effects) will be on carriers holding United States certification, to the extent service by such carriers is available.

Section C.2. ELIGIBILITY DATE. No goods or services may be financed under the Loan or Grant which are procured pursuant to orders or contracts firmly placed or entered into prior to the date of this Agreement, except as the parties may otherwise agree in writing.

Section C.3. PLANS, SPECIFICATIONS, AND CONTRACTS. Except as the parties may otherwise agree in writing:

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

- (1) Any plans, specifications, procurement or construction schedules, contracts, or other documentation relating to goods or services to be financed under the Loan or Grant, including documentation relating to the prequalification and selection of contractors and to the solicitation of bids and proposals. Material modifications in such documentation will likewise be furnished to A.I.D. on preparation;
- (2) Such documentation will also be furnished to A.I.D., upon preparation, relating to any goods or services which, though not financed under the Loan or Grant, are regarded by A.I.D. to be of major importance to the Project. Aspects of the Project involving matters under this subsection (a)(2) will be identified in Project Implementation Letters;

(b) Documents related to the prequalification of contractors, and to the solicitation of proposals for goods and services financed under the Loan or Grant will be approved by A.I.D. in writing prior to their issuance, and their terms will include United States and Bolivian standards and measurements when applicable;

(c) Bid awards, contracts and contractors financed under the Loan or Grant for engineering and other professional services, for construction services, and for such other services, equipment or materials as may be specified in Project Implementation Letters, will be approved by A.I.D. in writing prior to such awards and the execution of such contracts. Material modifications in such contracts will also be approved in writing by A.I.D. prior to execution;

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

(e) Bidding, contracting and procurement under the Loan and Grant shall be carried out in accordance with A.I.D. regulations and procedures with respect to international project agreements, including A.I.D. Handbook 11 (copy of which has been provided to Bolivia).

Section C.4. REASONABLE PRICE. No more than reasonable prices will be paid for any goods or services financed, in whole or in part, under the Loan or Grant. Such items will be procured on a fair and, to the maximum extent practicable, on a competitive basis.

Section C.5. NOTIFICATION TO POTENTIAL SUPPLIERS. To permit all United States firms to have the opportunity to participate in furnishing goods and services to be financed under the Loan and Grant, Bolivia will furnish A.I.D. such information with regard thereto, and at such times, as A.I.D. may request in Project Implementation Letters.

Section C.6. SHIPPING. (a) Goods which are to be transported to Bolivia may not be financed under the Loan or Grant if transported either: (1) on an ocean vessel or aircraft under the flag of a country which is not included in A.I.D. Geographic Code 935 as in effect at the time of shipment, or (2) on an ocean vessel which A.I.D., by written notice to Bolivia, has designated as ineligible; or (3) under an ocean or air charter which has not received prior A.I.D. approval.

(b) Costs of ocean or air transportation (of goods or persons) and related delivery services may not be financed under the Loan or Grant if such goods or persons are

carried: (1) on an ocean vessel under the flag of a country not, at the time of shipment, identified under the Article and Sections of the Agreement entitled "Procurement Source: U.S. Dollar Costs (Loan and Grant)", without prior written A.I.D. approval; or (2) on an ocean vessel which A.I.D. by written notice to Bolivia has designated as ineligible; or (3) under an ocean vessel or air charter which has not received prior A.I.D. approval.

(c) Unless A.I.D. determines that privately-owned United States-flag commercial ocean vessels are not available at fair and reasonable rates for such vessels: (1) at least fifty percent (50%) of the gross tonnage of all goods (computed separately for dry bulk carriers, dry cargo liners and tankers) financed by A.I.D. which may be transported on ocean vessels will be transported on privately-owned United States-flag commercial vessels, and (2) at least fifty percent (50%) of the gross freight revenue generated by all shipments financed by A.I.D. and transported to Bolivia 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 (1) and (2) of this subsection must be achieved with respect to both any cargo transported from U.S. ports and any cargo transported from non-U.S. ports, computed separately.

Section C.7. INSURANCE. (a) Marine insurance on goods financed by A.I.D. which are to be transported to Bolivia may be financed under the Loan or Grant, as a dollar cost under this Agreement provided (1) such insurance is placed at the lowest available competitive rate, and (2) claims thereunder are payable in the currency in which such goods were financed or in any freely convertible currency. If Bolivia, by statute, decree, rule, regulation, or practice discriminates with respect to A.I.D.-financed procurement against any marine insurance company authorized to do business in any State of the United States, then all goods shipped to Bolivia financed by A.I.D. hereunder will be insured against marine risks and such insurance will be placed in the United States with a company or companies authorized to do a marine insurance business in a State of the United States.

(b) Except as A.I.D. may otherwise agree in writing, Bolivia will insure, or cause to be insured, goods financed under the Loan or Grant imported for the Project against risks incident to their transit to the point of their use in the Project; such insurance will be issued on terms and conditions consistent with sound commercial practice and will insure the full value of the goods. Any indemnification received by Bolivia under such insurance will be used to replace or repair any material damage or any loss of the goods insured or will be used to reimburse Bolivia for the replacement or repair of such goods. Any such replacement will be of source and origin of countries listed in A.I.D. Geographic Code 935 as in effect at the time of replacement, and, except as the parties may agree in writing, will be otherwise subject to the provisions of the Agreement.

Section C.8. U.S. GOVERNMENT-OWNED EXCESS PROPERTY. Bolivia agrees that United States Government-owned excess personal property, in lieu of new items financed under the Loan or Grant, will be utilized wherever practicable. Funds under the Loan or Grant may be used to finance the costs of obtaining such property for the Project.

Article D. TERMINATION, REMEDIES

Section D.1. CANCELLATION BY BOLIVIA. Bolivia may, by giving A.I.D. 30 days' written notice, cancel any part of the Loan or the Grant which has not been disbursed or committed for disbursement to third parties.

Section D.2. EVENTS OF DEFAULT; ACCELERATION. It will be an "Event of Default" if Bolivia shall have failed: (a) to pay when due any interest or installment of principal required under this Agreement; (b) to comply with any other provision of this Agreement, or (c) to pay when due any interest or installment of principal or other payment required under any other loan, guaranty or other agreement between Bolivia or any of its agencies and A.I.D. or any of its predecessor agencies. If an Event of Default shall have occurred, then A.I.D. may, at its option, give Bolivia notice that all or any part of the

unrepaid principal will be due and payable sixty (60) days thereafter, and, unless such Event of Default is cured within that time:

- (1) Such unrepaid principal and accrued interest hereunder will be due and payable immediately, and
- (2) The amount of any further disbursements made pursuant to then outstanding commitments to third parties or otherwise will become due and payable as soon as made.

Section D.3. SUSPENSION. If at any time:

- (a) An Event of Default has occurred, or
- (b) An event or events occur which in the judgment of A.I.D. create an extraordinary situation that makes it improbable either that the purpose of the Loan or Grant will be attained or that Bolivia will be able to perform its obligations under this Agreement, or
- (c) Any disbursement by A.I.D. would be in violation of the legislation governing A.I.D., or
- (d) Bolivia shall have failed to pay when due any interest, installment of principal or other payment required under any other loan, guaranty, or other agreement between Bolivia or any of its agencies and the Government of the United States or any of its agencies,

then A.I.D. may:

- (1) Suspend or cancel outstanding commitment documents to the extent they have not been utilized through irrevocable commitments to third parties or otherwise, giving prompt notice thereof to Bolivia;
- (2) Decline to issue additional commitment documents or to make disbursement other than under existing ones; and
- (3) At A.I.D.'s expense, direct that title to goods financed under the Loan or Grant be transferred to A.I.D. if the goods are from a source outside Bolivia, are in a deliverable state and have not been offloaded in ports of entry of Bolivia. Any disbursement made under the Loan with respect to such transferred goods will be deducted from principal.

Section D.4. CANCELLATION BY A.I.D. If, within sixty (60) days from the date of any suspension of disbursements pursuant to Section D.3. the cause or causes thereof have not been corrected, A.I.D. may cancel any part of the Loan or Grant that is not then disbursed or irrevocably committed to third parties with prior notice to Bolivia.

Section D.5. CONTINUED EFFECTIVENESS OF AGREEMENT. Notwithstanding any cancellation, suspension of disbursement or acceleration of repayment, the provisions of this Agreement will continue in effect until the payment in full of all principal and accrued interest hereunder.

Section D.6. REFUNDS. (a) In the case of any disbursement which is not supported by valid documentation in accordance with this Agreement, or which is not made or used in accordance with this Agreement, or which was for goods or services not used in accordance with this Agreement, A.I.D. may require Bolivia to refund the amount of such disbursement in U.S. dollars to A.I.D. within sixty days after receipt of a request therefor.

(b) If the failure of Bolivia to comply with any of its obligations under this Agreement has the result that goods or services financed under the Loan or Grant are not used in accordance with this Agreement, A.I.D. may require Bolivia to refund all or any part of the amount of the disbursements under this Agreement for such goods or services in U.S. dollars to A.I.D. within four months after receipt of a request therefor.

(c) The right under subsection (a) or (b) to require such a refund of a disbursement will continue, notwithstanding any other provision of this Agreement, for three years from the date of the last disbursement under this Agreement.

(d) Any refund under subsection (a) or (b), or any refund to A.I.D. from a contractor, supplier, bank or other third party with respect to goods or services financed under the Loan or Grant, which refund relates to an unreasonable price for or erroneous invoicing of goods or services, or to goods that did not conform to specifications, or to services that were inadequate, will be made available first for the cost of goods and services required for the Project, to the extent justified, and the remainder, if any, (i) will be applied to the installments of principal in the inverse order of their maturity if derived from Loan funds and the amount of the Loan reduced by the amount of such remainder; and (ii) will be applied to reduce the amount of the Grant if derived from Grant funds.

(e) Any interest or other earnings on Grant funds disbursed by A.I.D. to Bolivia under this Agreement prior to the authorized use of such funds for the Project will be returned to A.I.D. in U.S. dollars by Bolivia.

Section D.7. NONWAIVER OF REMEDIES. No delay in exercising any right or remedy accruing to a party in connection with its financing under this Agreement will be construed as a waiver of such right or remedy within the terms of the Agreement.

Section D.8. ASSIGNMENT. Bolivia agrees, upon reasonable request, to execute an assignment to A.I.D. of any cause of action which may accrue to Bolivia in connection with or arising out of the contractual performance or breach of performance by a party to a direct U.S. Dollar contract with A.I.D., financed in whole or in part out of funds granted by A.I.D. under this Agreement.
