

A.I.D. Loan No. 517-U-030

Project No. 517-0120

LOAN AGREEMENT

Between

THE GOVERNMENT OF THE DOMINICAN REPUBLIC

and the

UNITED STATES OF AMERICA

for

HEALTH SECTOR LOAN II

Dated: November 23, 1978

CONFORMED COPY

LOAN AGREEMENT

Dominican Republic - Health Sector Loan II

A.I.D. Loan Number

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE I - The Agreement	1
ARTICLE II - The Project	
SECTION 2.1 Definition of Project	1
ARTICLE III - Financing	
SECTION 3.1 The Loan	2
SECTION 3.2 Borrower Resources for the Project	2
SECTION 3.3 Project Assistance Completion Date	2
ARTICLE IV - Loan Terms	
SECTION 4.1 Interest	3
SECTION 4.2 Repayment	4
SECTION 4.3 Application, Currency, and Place of Payment	4
SECTION 4.4 Prepayment	4
SECTION 4.5 Renegotiation of Terms	5
SECTION 4.6 Termination on Full Payments	6
ARTICLE V - Conditions Precedent to Disbursement	
SECTION 5.1 First Disbursement	6
SECTION 5.2 Additional Disbursement	7
SECTION 5.3 Notification	9
SECTION 5.4 Terminal Dates for Conditions Precedent	9

	<u>Page</u>
ARTICLE VI - Special Covenants	
SECTION 6.1 Project Evaluation	10
SECTION 6.2 Evaluation Plan	11
ARTICLE VII - Procurement Source	
SECTION 7.1 Foreign Exchange Costs	11
SECTION 7.2 Local Currency Costs	11
ARTICLE VIII - Disbursements	
SECTION 8.1 Disbursement for Foreign Exchange Costs	11
SECTION 8.2 Disbursement for Local Currency Costs	13
SECTION 8.3 Other Forms of Disbursement	13
SECTION 8.4 Rate of Exchange	13
SECTION 8.5 Date of Disbursement	13
ARTICLE IX - Miscellaneous	
SECTION 9.1 Communications	14
SECTION 9.2 Representatives	14
SECTION 9.3 Standard Provisions Annex	15
SECTION 9.4 Language of Agreement	15
 ANNEX 1 - Definition of the Project	
 ANNEX 2 - Standard Provisions	

LOAN AGREEMENT DATED November 23, 1978, between the GOVERNMENT OF THE DOMINICAN REPUBLIC ("Borrower") and the UNITED STATES OF AMERICA, acting through the Agency for International Development ("A.I.D.").

ARTICLE I

The Agreement

The purpose of this Agreement is to set out the understandings of the parties named above ("Parties") with respect to the undertaking by the Borrower of the Project described below, and with respect to the financing of the Project by the Parties.

ARTICLE II

The Project

SECTION 2.1. Definition of Project. The Project, which is further described in Annex 1, will consist of a program implemented by the Secretariat of State for Public Health and Social Assistance ("SESPAS") for (i) expansion of the Borrower's Basic Health Services program ("SBS"), to serve additional rural communities ("Additional Communities Activity"), and by appraisal of rural health clinics and small hospitals through staff training and providing of supplies and equipment ("Clinics and Hospitals Activity"); and (ii) provision of potable water, sewage disposal, and health education services to rural areas. Annex 1, attached, amplifies the above definition of the Project.

Within the limits of the above definition of the Project, 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 this Agreement.

ARTICLE III

Financing

SECTION 3.1. The Loan. To assist the Borrower 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 lend the Borrower under the terms of this Agreement, an amount not to exceed eight million United States ("U.S.") dollars (\$8,000,000) ("Loan"). The aggregate amount of disbursements under the Loan is referred to as "Principal."

The Loan may be used to finance foreign exchange costs, as defined in Section 7.1, and local currency costs, as defined in Section 7.2, of goods and services required for the Project.

SECTION 3.2. Borrower Resources for the Project.

(a) The Borrower agrees to provide or cause to be provided for the Project all funds, in addition to the Loan, and all other resources required to carry out the Project effectively and in a timely manner.

(b) The resources provided by Borrower for the Project will be not less than the equivalent of three million two hundred thousand U.S. dollars (\$3,200,000) including costs borne on an "in-kind" basis.

SECTION 3.3. Project Assistance Completion Date.

(a) The "Project Assistance Completion Date" (PACD), which is November 23, 1963, or such other date as the Parties agree to in writing, is the date by which the Parties estimate that all services financed under the Loan will have been performed and all goods financed under

the Loan 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 of the Loan for services performed subsequent to the PACD or for goods furnished for the Project, as contemplated in this Agreement, subsequent to 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 the Borrower, may at any time or times reduce the amount of the Loan 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 IV

Loan Terms

SECTION 4.1. Interest. The Borrower will pay to A.I.D. interest which will accrue at the rate of two percent (2%) per annum for ten (10) years following the date of the first disbursement hereunder and at the rate of three percent (3%) per annum thereafter on the outstanding balance of Principal and on any due and unpaid interest. Interest on

the outstanding balance 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 hereunder on a date to be specified by A.I.D.

SECTION 4.2. Repayment. The Borrower will repay to A.I.D. the Principal within twenty-five (25) years from the date of the first disbursement of the Loan in thirty-one (31) approximately equal semi-annual installments of Principal and interest. The first payment of Principal will be due 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 the Borrower with an amortization schedule in accordance with this Section after 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 the Office of Financial Management.

SECTION 4.4. Prepayment. Upon payment of all interest and any refunds then due, the Borrower may prepay, without penalty, all or any part of the Principal. Unless A.I.D. otherwise agrees in writing any

such repayment will be applied to the installments of Principal in the inverse order of their maturity.

SECTION 4.5. Renegotiation of Terms.

(a) The Borrower 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 the Dominican Republic which enable the Borrower to repay the Loan on a shorter schedule.

(b) Any request by either Party to the other to so negotiate will be made pursuant to Section 9.1, 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 9.1, 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 subsection (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 Borrower's Secretary of Finance in the Dominican Republic.

SECTION 4.6. Termination on Full Payment. Upon payment in full of the Principal and any accrued interest, this agreement and all obligations of the Borrower and A.I.D. under it will cease.

ARTICLE V

Conditions Precedent to Disbursements

SECTION 5.1. First Disbursement. Prior to the first disbursement under the Loan, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Borrower will, except as the Parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

(a) An opinion of the legal advisor to the Borrower that this Agreement has been duly authorized and/or ratified by, and executed on behalf of, the Borrower, and that it constitutes a valid and legally binding obligation of the Borrower in accordance with all of its terms;

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

(c) Evidence that a Project Coordinator, acceptable to A.I.D. has been appointed;

(d) Evidence that Borrower is making an adequate contribution to the program financed in part by Health Sector Loan I (A.I.D. Loan No. 517-U-028);

(e) Evidence that the Borrower will provide not less than the equivalent of three million, two hundred thousand U.S. dollars (\$3,200,000), in cash or in-kind as its contribution to the Project.

(f) A statement of SESPAS' policies with respect to salaries and benefits paid to Project personnel.

SECTION 5.2. Additional Disbursements.

(a) Prior to the first disbursement, or the issuance by A.I.D. of documentation pursuant to which disbursement will be made to finance the potable water, sewage disposal and health education component of the Project, Borrower shall, except as A.I.D. may otherwise agree in writing, furnish in form and substance satisfactory to A.I.D., evidence of:

- (1) The establishment of a functioning technical unit, including hydro-geology team, within SESPAS for the potable water and sewage disposal activities;
- (2) The appointment of a qualified director of said unit; and
- (3) The assignment of adequate and qualified staff to the unit.

(b) Prior to the first disbursement, or the issuance by A.I.D. of documentation pursuant to which disbursement will be made to finance the potable water, sewage disposal, and health education component of the Project in each Region, Borrower shall, except as A.I.D. may otherwise agree in writing, furnish in form and substance satisfactory to A.I.D. evidence of:

- (1) A time-phased implementation plan for this component in the particular Region, including but not limited to, administrative plans, site selection procedures, and site preparation and construction plans for the systems included within the regional plan; and
- (2) A detailed training plan for this component, identifying for each area of training the trainees and the content of the training to be provided.

(c) Prior to the first disbursement, or the issuance by A.I.D. of documents pursuant to which disbursements will be made to finance the procurement of supplies and equipment, Borrower shall, except as A.I.D. may otherwise agree in writing, furnish in form and substance satisfactory to A.I.D.:

- (1) a detailed procurement plan for the supplies and equipment required for the Project, including a detailed plan for their maintenance and repair; and
- (2) a comprehensive maintenance plan for the potable water and sewage disposal systems.

(d) Prior to the first disbursement, or the issuance by A.I.D. of documents pursuant to which disbursements will be made to finance the Clinics and Hospitals Activity, Borrower shall, except as A.I.D. may otherwise agree in writing, furnish in form and substance satisfactory to A.I.D. a detailed training plan for this component, identifying for each area of training the trainees and the content of the training to be provided.

(e) Prior to the first disbursement, or the issuance by A.I.D. of documents pursuant to which disbursement will be made to finance the Additional Communities Activity, Borrower shall, except as A.I.D. may otherwise agree in writing, furnish in form and substance satisfactory to A.I.D. a detailed training plan for this component, identifying for each area of training, the trainees and the content of the training to be provided.

SECTION 5.3. Notification. When A.I.D. has determined that the conditions precedent specified in Sections 5.1 and 5.2 have been met, it will promptly notify the Borrower.

SECTION 5.4. Terminal Dates for Conditions Precedent.

(a) If all of 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 written notice to Borrower.

(b) If the conditions specified in Section 5.2 are not met within the following times:

- (1) 5.2 (a), within four months from the date of this Agreement;
- (2) 5.2 (b) in the First Region (Health Region II), within twelve months from the date of this Agreement;
- (3) 5.2 (c), within nine months from the date of this Agreement;
- (4) 5.2 (d), within six months from the date of this Agreement, and
- (5) 5.2 (e), within eight months from the date of this

Agreement,

or such later date(s) as A.I.D. may agree to in writing, A.I.D. at its option, may cancel the then undisbursed balance of the Loan, to the extent not irrevocably committed to third parties, and may terminate this Agreement by written notice to the Borrower. In the event of such cancellation, the Borrower will repay immediately the principal then outstanding plus accrued interest; on receipt of such payments in full, this Agreement and all obligations of the Parties hereto will terminate.

ARTICLE VI

Special Covenants

SECTION 6.1 Project Evaluation. The parties agree to establish a joint special evaluation program as part of the Project. Except as the Parties otherwise agree in writing, the program will include, during the implementation of the Project and at one or more points thereafter:

- (a) Evaluation of progress toward attainment of the objectives of the Project;
- (b) Identification and evaluation of problem areas or constraints which may inhibit such attainment;
- (c) Assessment of how such information may be used to help overcome such problems; and
- (d) Evaluation to the degree feasible, of the overall development impact of the Project.

SECTION 6.2. Evaluation Plan. In implementation of the evaluation program described in Section 6.1, Borrower covenants, except as A.I.D. may otherwise agree in writing, to prepare and submit to A.I.D. by May 31, 1979, a detailed evaluation plan, satisfactory to A.I.D.

ARTICLE VII

Procurement Source

SECTION 7.1. Foreign Exchange Costs. Disbursement 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, except as A.I.D. may otherwise agree in writing, and except as provided in the Project Loan Standard Provisions Annex, Section C.1(2) with respect to marine insurance.

SECTION 7.2. Local Currency Costs. Disbursement 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 the Dominican Republic ("Local Currency Costs").

ARTICLE VIII

Disbursements

SECTION 8.1. Disbursements for Foreign Exchange Costs.

(a) After satisfaction of conditions precedent, the Borrower may

obtain disbursements of funds under the Loan for the Foreign Exchange Costs of goods or services required for the Project in accordance with the terms of this Agreement, by such of the following methods as may be mutually agreed upon:

(i) By submitting to A.I.D. with necessary supporting documentation as prescribed in Project Implementation Letters, (i) requests for reimbursement for such goods or services, or (ii) requests for A.I.D. to procure commodities or services in Borrower's behalf for the Project; or

(ii) By requesting A.I.D. to issue Letters of Commitment for specified amounts (i) to one or more U.S. banks, as agents to A.I.D., committing A.I.D. to reimburse the banks for payments made by them to contractors or suppliers under Letters of Credit or otherwise, for such goods or services or (ii) directly to one or more contractors or suppliers, committing A.I.D. to pay such contractors or suppliers for such goods or services.

(4) Banking charges incurred by Borrower in connection with Letters of Commitment and Letters of Credit will be financed under the Loan unless the Borrower instructs A.I.D. to the contrary. Such other charges as the Parties may agree to may also be financed under the Loan.

SECTION 8.2. Disbursement for Local Currency Costs.

(a) After satisfaction of conditions precedent, the Borrower may obtain disbursements of funds under the Loan for the Local Currency 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 local currency needed for such disbursement hereunder may be obtained by purchase by A.I.D. with U.S. dollars. The U.S. dollar equivalent of the local currency made available hereunder will be the amount of U.S. dollars required by A.I.D. to obtain the local currency.

SECTION 8.3. Other Forms of Disbursement. Disbursements of the Loan may also be made through such other means as the Parties may agree in writing.

SECTION 8.4. Rate of Exchange. If funds provided under the Loan are introduced into the Dominican Republic by A.I.D. or any public or private agency for purposes of carrying out obligations of A.I.D. hereunder, the Borrower will make such arrangements as may be necessary so that such funds may be converted into currency of the Dominican Republic at the highest rate of exchange which, at the time the conversion is made, is not unlawful in the Dominican Republic.

SECTION 8.5. Date of Disbursement. Disbursements by A.I.D. will be deemed to occur:

(a) On the date on which A.I.D. makes a disbursement to the Borrower or its designee, or to a bank, contractor or supplier pursuant to a Letter of Commitment, contract, or purchase order; or

(b) On the date on which A.I.D. disburses to the Borrower or its designee local currency acquired in accordance with Section 8.2(b).

ARTICLE IX

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 THE BORROWER:

Mail Address: Secretaría de Estado de Salud
 Pública y Asistencia Social
 Santo Domingo, República Dominicana

Cable Address: Salud Pública, Santo Domingo

TO A.I.D.:

Mail Address: USAID Mission to the Dominican Republic
 Santo Domingo, Dominican Republic

Cable Address: USAID Santo Domingo

All such communications will be in English, unless the Parties otherwise agree in writing. Other addresses may be substituted for the above upon the giving of notice.

SECTION 9.2. Representatives. For all purposes relevant to this Agreement, the Borrower will be represented by the individual holding or

acting in the office of the Secretariat of State for Public Health and Social Assistance, and A.I.D. will be represented by the individual holding or acting in the office of Director, Agency for International Development Mission to the Dominican Republic, 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 the Borrower, 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.

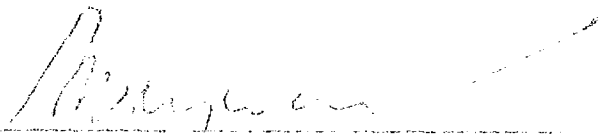
SECTION 9.3. Standard Provisions Annex. A "Project Loan Standard Provisions Annex" (Annex 2) is attached to and forms a part of this Agreement.

SECTION 9.4. Language of Agreement. This Agreement is prepared in both English and Spanish. In the event of ambiguity or conflict between the two versions, the English language version will control.

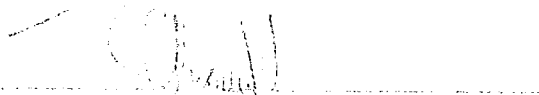
IN WITNESS WHEREOF, the Dominican Republic and the United States of America, each acting through its duly authorized representative, have

caused this Agreement to be signed in two originals in their names and delivered as of the day and year first above written.


THE GOVERNMENT OF THE DOMINICAN
REPUBLIC

BY: 
Silvestre Antonio Guzmán Fernández

TITLE: President

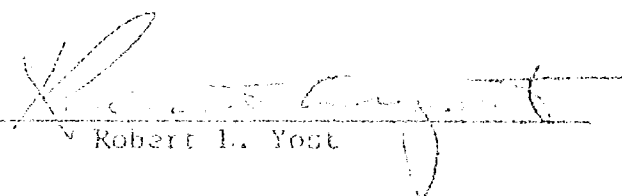
BY: 
Leopoldo Fernández Román

TITLE: Technical Secretary of
the Ministry

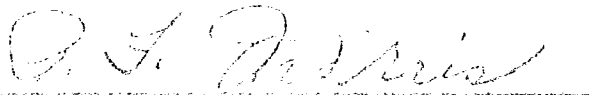
BY: 
José Rodríguez Rodríguez

TITLE: Secretary of State for Public
Health and Social Assistance

THE GOVERNMENT OF THE UNITED
STATES OF AMERICA

BY: 
Robert L. Yost

TITLE: Ambassador

BY: 
Patrick F. Morris

TITLE: Director, USAID Mission
to the Dominican Republic

DEFINITION OF THE PROJECT

I. General

The Basic Health Services System initiated under Health Sector Loan I (Loan 517-U-038) utilizes local inhabitants to provide basic health services in rural communities, so as to reduce mortality in infants and in children under five years of age, and to furnish family planning information and services. This Project expands and reinforces the effort initiated under Health Sector Loan I. The Project's goals will have been achieved, if at the conclusion of the Project, infant mortality has declined to 25 per 1,000 live births, and mortality for children in the 1-4 year group has declined to 15 per 1,000.

A. The Project, which is estimated to require five years for implementation, consists of two components.

1. Component No. 1. The expansion of the Basic Health Services System initiated under Health Sector Loan I.

- a. to serve additional rural communities; and
- b. to upgrade rural health clinics and small hospitals through staff training and providing supplies and equipment; and

2. Component No. 2. The provision of potable water, sewage disposal and health education services to rural areas.

B. The Project will be financed by not to exceed eight million dollars (\$8,000,000) of loan funds to be disbursed by A.I.D., and by not

less than the equivalent of US\$3,200,000, including costs born on an "in-kind" basis, to be provided by the Borrower. The latter sum includes the equivalent of US\$2,100,000 in direct contributions by the Government of the Dominican Republic ("GODR") and the equivalent of US\$1,100,000 in contributions by local Dominican communities.

Costs of the various activities included within the Project are estimated. Any substantial increases or decreases in these costs will require consultation and agreement between GODR and A.I.D.

Table I sets forth the estimated schedule of disbursements for the entire Project, from the several sources, during the five-year implementation schedule.

TABLE I
(In Thousands)
(\$ equiv. = RD\$)

	1979	1980	1981	1982	1983	Total
AID						
Dollars	666.5	263.6	355.3	144.0	177.6	1,607.0
Pesos	237.5	1,263.8	1,629.6	1,340.7	1,175.5	5,647.1
GODR						
Pesos	133.1	322.4	402.8	402.8	629.0	1,890.1
Community Contribution						
Pesos	-	223.6	304.5	216.3	233.1	977.5
Sub-total	1,037.1	2,073.4	2,692.2	2,103.8	2,215.2	10,121.7
Contingency ^{1/}	103.7	207.3	269.2	210.4	287.6	1,078.3
Total	1,140.8	^{2/} 2,280.7	2,961.4	2,314.2	2,502.8	11,200.0

1/ Contingency of 10% for each line item to cover possible increase due to inflation. (Contingency funds will be allocated to each project component as required.)

2/ Since the Dominican Peso and U.S. Dollar are at parity, the cost of the Program is reflected as an aggregate sum, without distinguishing between the two currencies.

II. Component No. 1: Expansion of Basic Health Services System (SBS)

A. The first part of this component is the expansion of the SBS to 100 rural communities, where rural health clinics are located.

1. As part of this activity, approximately 400 health promoters and 20 health educators will be provided for the 100 communities. Each health promoter, a resident of the community in which he will work, will be selected by a community health committee and will be trained by SESPAS in a three week course. The promoter's training and subsequent responsibilities will include the collection of basic demographic data, nutrition education, simple prenatal care, immunizations, oral rehydration of children with diarrhea, treatment of uncomplicated upper respiratory infections, environmental health education, and family planning services.

Each health educator will supervise 20 promoters. He will be selected, to the extent possible, from rural areas near to where he will work. He will receive 40 working days of training by SESPAS in community organization, communications, preventive health measures, sanitation, communicable diseases, family planning, educational techniques, leadership and supervisory skills.

2. This activity will be implemented by the Health Education Division of SESPAS. The health educators provided under this activity will be supervised by field supervisors, who will report to area health educators who, in turn, work under the supervision of regional health educators. The regional health educators report to the Director of the Health Education Division.

3. The total cost of this activity is estimated to be the equivalent of US\$1,359,520.

The Loan will fund the costs of training approximately 400 promoters and 20 health educators; the costs of vaccines, medicines, and medical supplies to be used by the promoters; and the costs of motorcycles and helmets to be used by the health educators. The total of these costs is estimated to be US\$628,220.

Funds to be provided by the GODR will fund all other costs of this activity (including salaries and in-country travel of the promoters and health educators), which are estimated to be the equivalent of US\$731,300.

Table II sets forth the estimated disbursements for this activity from each source.

TABLE II
SBS in Additional Communities
(\$ equiv. = RDS)

	AID	GODR	COMMUNITY	TOTAL
Personnel Cost	0	642,000	0	642,000
In-Country Travel	0	40,000	0	40,000
Training Cost	41,020	0	0	41,020
Medical Supplies,				
Medicines and Vaccines	576,000	0	0	576,000
Motorcycles/Helmets	11,200	0	0	11,200
Fuel and Maintenance	0	34,300	0	34,300
Miscellaneous	0	15,000	0	15,000
Total	628,220	731,300	0	1,359,520

B. The second part of this component is the strengthening of 100 rural clinics and 20 small hospitals, through staff training and providing equipment and supplies so as to improve the care offered by these institutions to patients referred by SBS promoters.

1. The 100 clinics to be upgraded are those which are within areas to be served by the SBS, and which were not built or equipped under a World Bank Loan or a previous A.I.D. Loan.

2. The 20 hospitals to be upgraded are small hospitals of 60 beds or less located in small towns which also offer services to patients from surrounding rural communities. These hospitals have been identified as lacking basic equipment, and the staffs of which would benefit from additional training.

3. The equipment to be provided to the rural clinics and hospitals will include stethoscopes, sphygmomanometers, vaginal specula, chairs, instrument cabinets, scales, examining tables, ring or sponge forceps, examining lamps, file cabinets, and other simple medical equipment, as required.

4. The training for the rural clinic and hospital personnel will be in the nature of "refresher" courses to be given by doctors from the Santo Domingo Pediatric and Maternity Hospitals. It will include preventive care of maternal and child health patients, family planning, clinical management of high-risk cases, breast feeding, and nutrition.

5. This activity will be implemented by the SESPAS' Loan Coordinating Office.

6. The total cost of this activity is estimated to be the equivalent of US\$324,500.

The Loan will fund all of the equipment and training.

Table III sets forth the estimated disbursements for this activity.

TABLE III
Strengthening Clinics and Hospitals
(\$ equiv. = RD\$)

	AID	GODR	COMMUNITY	TOTAL
Training Cost	24,500	0	0	24,500
Medical Equipment	300,000	0	0	300,000
Total	324,500	0	0	324,500

III. Component No. 2: Potable Water, Sewage Disposal and Health Education Services.

A. This component will provide potable water, sewage disposal facilities, and health education services, to approximately 160,000 people living in approximately 500 SES serviced communities within SESPAS Health Regions I, II and IV. These communities do not have access to potable water or adequate sewage disposal facilities; nor are they included in plans for the financing of such systems in other programs.

B. The estimated schedule of disbursements for this component, including the estimated contribution from the A.I.D. Loan, GODR funds,

and local community contributions are set forth in Table IV.

TABLE IV
POTABLE WATER, SEWAGE DISPOSAL AND HEALTH EDUCATION
(In Thousands)
(\$ equiv. = RD\$)

	1979	1978	1981	1982	1983	Total
A.I.D.						
Dollars	355.3	119.6	211.3	-	33.6	719.8
Pesos	193.6	1,165.4	1,585.8	1,296.9	1,131.7	5,373.4
Total A.I.D.	548.9	1,285.0	1,797.1	1,296.9	1,165.3	6,093.2
GODR						
Pesos	49.2	204.8	201.2	201.2	427.4	1,083.8
Community Contr.						
Pesos	-	223.7	304.5	216.3	233.0	977.5
Total	598.1	1,713.5	2,302.8	1,714.4	1,825.7	8,154.5

C. Potable Water and Sewage Disposal.

1. Water systems constructed under the activity will be one of two types: (a) wells and hand pumps; or (b) gravity flow. All systems must meet the following criteria:

- Accessibility (i.e., be as near to the user as possible)
- Require minimum maintenance and treatment to maintain potability;
- Provide water in sufficient quantity to meet basic minimum demands (i.e., 10 gallons per day per individual for drinking, cooking, bathing and laundry) and

- Provide water which is free of physical, bacteriological, and chemical contaminants that adversely affect human health.

2. Most water systems will be wells and hand pumps. Wells will be drilled (up to approximately 100 feet deep) and hand-dug (as appropriate and hand pumps installed in approximately 500 SBS communities located in SESPAS Health Regions I, II and IV. Where conditions permit, the wells will be constructed at a ratio of one (1) well per sixty (60) persons.

3. An alternative water system which may be utilized is gravity flow from a protected spring to public hydrants. Such a system will be selected where water requires no treatment, gravity can be utilized for distribution, and where spring proximity to the community makes the cost comparable to, or cheaper than wells. Where such conditions exist, gravity flow systems will be given preference over wells.

4. Approximately 26,500 latrines will be constructed under this activity in communities where potable water systems are installed (i.e., one latrine for each house in the 500 communities). The basic pit latrine with hinged covers will be used in this activity, at least initially. Accordingly, the manufacture of conventional type concrete slabs will be financed.

A limited testing program will be undertaken to determine the acceptability of the "water seal" latrine to the communities. Accordingly, the manufacture of 150 "water seal" units will be financed for

testing user acceptance in 10 communities during the second year of project implementation. If user acceptance is found to be satisfactory, the "water seal" latrine will thereafter be utilized in completing the remaining part of this activity.

5. This activity will be implemented by the Potable Water and Sewage Disposal Program unit ("Potable Water Unit") to be established in SESPAS, except that the activities of Health Educators will be under the supervision of SESPAS' Health Education Division. Consequently, coordination by the Health Education Division with the Potable Water Unit will be required.

a. Communities in the target areas for this activity will be screened by detailed hydro-geological analyses to be performed by hydro-geologists working within the Potable Water Unit.

b. SBS Health-Educators will gather necessary data concerning the target area communities by, inter alia survey questionnaires.

c. On the basis of the hydro-geological analyses and the data obtained by Health Educators, the Director of the Potable Water Unit and the SESPAS Loan Coordinator will make a preliminary selection of communities for the activity.

d. Health Educators will assist the selected communities to organize health committees which will in turn organize community participation in the construction, administration, maintenance and all other phases of the water system and latrine construction.

e. To be eligible for participation in this activity, communities will have to collect \$.50 per family as an initial payment toward a fund for maintenance tools and spare parts. A second payment of \$.50 per family will be required when the pumps have been installed. Thereafter, \$.50 per family will be required monthly until a total of \$60 per pump has been collected.

f. Well drilling will be performed by contractors selected through formal bidding. A field supervisor in the Potable Water Unit will supervise contractor performance, and will report to the Potable Water Unit's regional field engineer who will recommend approval of all payments to the contractor. Final approval of the payment will be made by the Director of the Potable Water Unit.

g. Pumps will be installed by a three member crew from the Potable Water Unit: a foreman, an installation and construction assistant, and a mason. The crew will also work with community members who will provide labor for such tasks as the construction of the protective apron surrounding the well, drainage ditches, reservoirs and piping installations.

A field engineer from the Potable Water Unit will inspect and disinfect the completed well.

h. Potable Water Unit crews will also construct spring-fed gravity flow systems. The regional field engineer will design the system; the field supervisor will supervise construction; and recipient communities will provide the necessary additional construction labor.

i. To reduce the possibility of water contamination, 5-gallon plastic containers, and 20-gallon plastic containers will be procured under this activity. The 5-gallon container, which will be used to carry water from community outlets, will have a small neck, a protective cap which will be attached to the container to prevent its loss or contamination by dropping, and a carrying handle. The 20-gallon container, which will be used for household storage, will have a small neck, an attached protective cap, and a tap.

6. Maintenance of a water system will be the responsibility of SESPAS and the community.

a. SESPAS will establish a maintenance unit in each region under the direction of the SESPAS regional maintenance engineer, which will be responsible for:

- i) Inspection of each pump site at least once a month for 3 months after installation, and quarterly thereafter. (All inspections undertaken will include at least one member of the community's health committee or community's maintenance crew);
- ii) Providing spare parts as necessary, paid for by the community;
- iii) Major repairs, if the work involved is beyond the capabilities of the community maintenance group, and
- iv) Training of selected community maintenance crew in preventive and simple corrective maintenance.

b. In each community, the community health committee will select at least one member per every 3 pumps and not less than 2 members per community, for training in preventive and simple corrective maintenance. These persons will be responsible for regular maintenance and will also participate in maintenance and repair activities undertaken by the SESPAS regional maintenance unit.

7. The total cost of the Potable Water Systems activity is estimated to be the equivalent of US\$6,029,757.

The loan will finance costs of new personnel to be hired for the Potable Water Unit, hand pumps and spare parts, well construction, plastic water containers, and vehicles (including motorcycles and helmets). The total cost is estimated at US\$5,088,855.

The GDR contribution will finance in-country travel and per diem, vehicle fuel and maintenance, and at least half of the new personnel costs in the last twelve months of implementation. This contribution is estimated to be the equivalent of US\$599,450.

The communities will contribute to the well construction and pump installation by way of labor and such materials as gravel. The value of such contribution is estimated at the equivalent of US\$341,452.

The estimated disbursements for this activity are set forth in Table V.

TABLE V
 POTABLE WATER SYSTEM
 (\$ equiv. = RD\$)

	AID	COBR	Community	Total
Personnel Cost	1,329,770	170,370	0	1,500,140
In-Country Travel	0	54,680	0	54,680
Well Drilling/Const.	2,736,125	0	182,452	2,918,577
Hand Pumps/Parts	318,000	0	159,000	477,000
Water Containers	530,000	0	0	530,000
Vehicles	171,000	0	0	171,000
Fuel and Maintenance	0	374,400	0	374,400
Motorcycles/Helmets	3,960	0	0	3,960
Total	5,088,855	599,450	341,452	6,029,757

8. The total cost of the Sewage Disposal Activity is estimated at the equivalent of US\$1,967,034. Of this amount, the Loan will fund an estimated US\$580,116; the COBR contribution is estimated at the equivalent of US\$39,918; and the communities' contribution is estimated at the equivalent of US\$636,000.

Loan funds will finance the procurement of vehicles, costs of latrine construction, and salary of new personnel to be hired for the Potable Water Unit.

The COBR funds will pay in-country travel of personnel, vehicle fuel and maintenance, and half of the costs of the new personnel

in the Potable Water Unit during the last 12 months of implementation.

The communities will contribute labor and land for the latrine construction.

The estimated disbursements for this activity are set forth in Table VI.

TABLE VI
Sewage Disposal
(\$ equiv. = RD\$)

	AID	GOGR	Community	Total
Personnel Cost	41,820	4,920	0	46,740
In-Country Travel	0	3,648	0	3,648
Latrine Construction	331,296	0	636,000	967,296
Vehicles	13,000	0	0	13,000
Fuel and Maintenance	0	31,350	0	31,350
Total	386,116	39,918	636,000	1,062,034

D. Health Education

1. In support of the Potable Water and Sewage Disposal activities, an intensive health education campaign will be directed at the communities involved, so as to prevent contamination of the water systems and to support preventive health programs. This campaign will be carried out by Health Educators who will be incorporated into the SBS system. These Health Educators will function in the areas where the communities taking part in the Potable Water Program are located.

Approximately 84 Health Educators and 14 field supervisors will be selected and trained under this activity. The selection and training will be as described in Component No. 1 above. (Training for the field supervisors while similar to that for Health Educators will be designed to meet the special needs of the supervisor). The Health Educators and field supervisors, when they initiate their activities, will replace the auxiliary nurses and nurse supervisors now functioning in this area.

The Health Educators will have supervisory responsibilities vis-a-vis the promoters, as described in Component No. 1, except that, each of these health educators will supervise approximately 6 promoters. Each field supervisor will supervise approximately 6 Health Educators. These Health Educators will have other functions, related to the Potable Water and Sewage Disposal activity. Through weekly contact with the members of the communities which they serve, they will be responsible for promoting the acceptance of the potable water and sanitary disposal activity, and for promoting community participation in the construction, maintenance and appropriate use of wells and latrines.

2. The total cost of this activity is estimated at the equivalent of US\$1,062,800, of which the Loan contribution is estimated at US\$618,380, and the CODR contribution at the equivalent of US\$444,480.

Loan funds will finance technical assistance (to develop training courses for the health educators and field supervisors), salary for the health educators and field supervisors, training expenses, training equipment and motorcycles and helmets.

The GODR funds will finance in-country travel, fuel and maintenance for the motorcycles, and at least one-half of the salary costs for the last year of implementation.

The estimated disbursements for this activity are set forth in Table VII.

TABLE VII
Health Education
(\$ equiv. = RD\$)

	AID	GODR	Community	Total
Technical Assistance	93,000	0	0	93,000
Personnel Cost	365,500	51,000	0	416,500
In-Country Travel	0	205,800	0	205,800
Training Cost	39,000	0	0	39,000
Training Equipment	66,000	0	0	66,000
Motorcycles/Helmets	54,880	0	0	54,880
Fuel and Maintenance	0	164,640	0	164,640
Miscellaneous	0	23,040	0	23,040
Total	618,380	444,480	0	1,062,860

E. SESPAS Administrative Costs

1. SESPAS will incur certain costs in administering the Loan. Accordingly, the administration costs of the Loan Coordinator's Office and for three administrative support offices for project management (audit,

accounting and procurement) will be financed as part of the Project.

2. The total administrative costs are estimated at the equivalent of US\$283,000; of which the Loan funding is estimated at US\$208,000, and the GODR funding is estimated at the equivalent of US\$75,000.

The Loan will fund salary costs; the GODR will fund costs of office equipment.

The estimated schedule of disbursement of funds for these costs is set forth in Table VIII.

TABLE VIII
SESPAS ADMINISTRATIVE COSTS
(in Thousands)
(\$ equiv. = RD\$)

	1979	1980	1981	1982	1983	Total
A.I.D.						
Dollars	-	-	-	-	-	-
Pesos	32.8	43.8	43.8	43.8	43.8	208.0
GODR						
Pesos	75.0	-	-	-	-	75.0
Total	107.8	43.8	43.8	43.8	43.8	283.0

TABLE OF CONTENTS

LOAN STANDARD

PROVISIONS ANNEX

	<u>Page</u>
ARTICLE A: <u>Project Implementation Letters</u>	1
ARTICLE B: <u>General Covenants</u>	1
SECTION B.1. Consultation	1
SECTION B.2. Execution of the Project	2
SECTION B.3. Utilization of Goods and Services	2
SECTION B.4. Taxation	3
SECTION B.5. Reports, Records, Inspections, Audit	3-4
SECTION B.6. Completeness of Information	4
SECTION B.7. Other Payments	4
SECTION B.8. Information and Marking	4-5
ARTICLE C: <u>Procurement Provisions</u>	5
SECTION C.1. Special Rules	5
SECTION C.2. Eligibility Date	5
SECTION C.3. Plans, Specifications, and Contracts	5-6
SECTION C.4. Reasonable Price	7
SECTION C.5. Notification to Potential Suppliers	7
SECTION C.6. Shipping	7-8
SECTION C.7. Insurance	8-9
SECTION C.8. U.S. Government-owned Excess Property	9

	<u>Page</u>
ARTICLE D: <u>Termination and Remedies</u>	10
SECTION D.1. Cancellation by Borrower	10
SECTION D.2. Events of Default; Acceleration	10
SECTION D.3. Suspension	10-11
SECTION D.4. Cancellation by A.I.D.	11
SECTION D.5. Continued Effectiveness of Agreement	11-12
SECTION D.6. Refunds	12
SECTION D.7. Non-waiver of Remedies	12

AID LOAN AGREEMENT NO. 517-U-030

STANDARD PROVISIONS

Definitions: As used in this Annex, the "Agreement" refers to the Loan 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 Borrower in the implementation of the Project, AID, 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 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 I.

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. The Borrower will:

1) 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 AID pursuant to this Agreement; and

2) Provide qualified and experienced management for, and train such staff as may be appropriate for, the maintenance and operation of the Project, and, as appropriate 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 C. Use of Proceeds of Loan and Services.

1) Any proceeds of the Loan will, unless otherwise agreed in writing, be used solely for the Project until the completion of the Project, and thereafter will be used so as to further the objectives stated in the Project Agreement.

2) Loans or proceeds of the Loan, except as AID may otherwise agree in writing, will not be used to procure or assist a foreign aid project or activity associated with or financed by a country not included in Code 211 of the AID Geographic Code Book as in effect at the time of such use.

SECTION B.4. Taxation.

1) This Agreement and the Loan will be free from, and the principal and interest will be paid free from, any taxation or fees imposed under laws in effect in the territory of the Borrower.

2) To the extent that (a) any contractor, including any consulting firm, any personnel of such contractor financed under the Loan, and any property or transactions relating to such contracts, and (b) any commodity procurement transaction financed under the Loan are not exempt from identifiable taxes, tariffs, duties, or other levies imposed under laws in effect in the Dominican Republic, the Borrower will, as and to the extent provided in and pursuant to Project Implementation Letters, pay or reimburse the same with funds other than those provided under the Loan.

3) Ratification of this Agreement by the Congress of the Dominican Republic shall constitute Congressional approval of and authorization for the inclusion of the above-described exemptions in contracts to be financed hereunder, and no further Congressional approval or authorization for such contracts by reason of the inclusion of such exemptions shall be required.

SECTION B.5. Reports, Records, Inspections, Audit. The Borrower will:

1) Furnish ALL such information and reports relating to the Project and to this Agreement as ALL any reasonably request;

2) 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. 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 AID; 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

3) Afford authorized representatives of a Party the opportunity at all reasonable times to inspect the Project, the utilization of goods and services financed by such Party, and books, records, and other documents relating to the Project and the Loan.

SECTION 5.4. Completeness of Information. The Borrower confirms:

1) That the facts and circumstances of which it has informed AID, or caused AID to be informed, in the course of reaching agreement with AID on the Loan, are accurate and complete, and include all facts and circumstances that might materially affect the Project and the discharge of financial obligations under the Loan;

2) That it will disclose in a timely fashion all subsequent facts and circumstances that materially affect, or that it is reasonable to believe might materially affect, the Project or the discharge of obligations under this agreement.

SECTION 5.5. Gift Payments. Borrower affirms that no payments have been or will be received by any official of the Borrower in connection with the procurement of goods or services financed under the Loan except fees, taxes, or similar payments legally established in the Dominican Republic.

SECTION 5.6. Information and Marking. The Borrower will give

appropriate publicity to the Loan and the Project as a program to which the United States has contributed, identify the Project site, and mark goods financed by AID, as described in Project Implementation Letters.

ARTICLE C

Procurement Provisions

SECTION C.1. Special Cases.

1) The nationality 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.

2) Premiums for marine insurance placed in the Dominican Republic will be deemed not eligible for AID discharge test, if otherwise eligible under Section C.1.1.1.

3) Any contract for goods or services ordered by the loan will be of United States manufacture, origin or supply, unless otherwise agreed in writing.

4) The goods and services financed by the loan may be financed from the loan only if they are ordered by orders or contracts timely placed or entered into before the date of this agreement, except as the parties may otherwise agree in writing.

SECTION C.2. Plans, Specifications, and Contracts. In order for there to be timely execution of the following matters, and except as the Parties may otherwise agree in writing:

- 1) The Borrower will furnish to AID upon preparation:
 - a) Any plans, specifications, procurement or construction schedules, contracts, or other documentation relating to goods or services

to be financed under the Loan, 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 AID on preparation;

b) Such documentation will also be furnished to AID, upon preparation, relating to any goods or services which, though not financed under the Loan, are deemed by AID to be of major importance to the Project. Aspects of the Project involving matters under this subsection (1)(b) will be identified in Project Implementation Letters;

2) Documents related to the prequalification of contractors, and to the solicitation of bids or proposals for goods and services financed under the loan will be approved by AID in writing prior to their issuance of use, and their terms will include standards and measurements commonly used in the United States;

3) Contracts and contractors financed under the loan for engineering and other professional services, for construction services, and for such other material, equipment, or materials as may be specified in Project Implementation Letters, will be approved by AID in writing prior to execution of the contract. Material modifications in such contracts will also be approved in writing by AID prior to execution, and

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

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. 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, the Borrower will furnish AID such information with regard thereto, and at such times, as AID may request in Project Implementation Letters.

SECTION C.6. Shipping.

1) Goods which are to be transported to the Dominican Republic may not be financed under the Loan if transported either:

a) On an ocean vessel or aircraft under the flag of a country which is not a party to the International Code of Commerce as in effect at the time of shipment; or

b) On a vessel or aircraft which AID, by written notice to the Borrower has designated as ineligible.

c) On a vessel or aircraft which has not received prior AID approval.

2) Costs of air or air transportation (of goods or persons) and related delivery services may not be financed under the Loan, if such goods or persons are not used.

a) On an ocean vessel under the flag of a country not, at the time of shipment, identified under Section 7.1 of the Agreement, unless AID had previously approved it; or

b) On an ocean vessel which AID, by written notice to the Borrower, has designated as ineligible; or

c) Under an ocean vessel or air charter which has not received prior AID approval.

3) Unless AID determines that privately owned United States-flag commercial ocean vessels are not available at fair and reasonable rates for such vessels:

a) 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 AID which may be transported on ocean vessels will be transported on privately owned United States-flag commercial vessels, and

b) At least fifty percent (50%) of the gross freight revenue generated by all shipments financed by AID and transported to the Dominican Republic 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 (a) and (b) of this subsection must be achieved with respect to any cargo transported from U.S. ports and also any cargo transported from non-U.S. ports, computed separately.

SECTION C. Insurance

1) Marine insurance on goods financed by AID which are to be transported to the Dominican Republic may be financed as a Foreign Exchange Cost under this Agreement provided:

a) Such insurance is placed at the lowest available competitive rate, and

b) Claims thereunder are payable in the currency in which such goods were financed or in any freely convertible currency. If the Borrower by statute, decree, rule, regulation, or practice discriminates with respect to AID financed procurement against any marine insurance company authorized to do business in any State of the United States, then all goods shipped to the Dominican Republic financed by AID 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.

2) Except as AID may otherwise agree in writing, the Borrower will insure, or cause to be insured, goods financed under the Loan 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 the Borrower 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 the Borrower for the replacement or repair of such goods. Any such replacement will be of equal and equivalent quality listed in AID 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. The Borrower agrees that wherever practicable United States Government-owned excess personal property, in lieu of new items financed under the Loan, should be utilized. Funds under the Loan may be used to finance the costs of obtaining such property for the Project.

ARTICLE D

Termination and Remedies

SECTION D.1. Cancellation by Borrower. The Borrower may, by giving AID 30 days written notice, cancel any part of the Loan 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 Borrower shall have failed:

1) To pay when due any interest or installment of Principal required under this Agreement;

2) To comply with any other provision of this Agreement; or

3) To pay or to do any interest or installment of Principal or other payment or other under any other loan, guaranty or other agreement between the Borrower and any of its agencies and AID or any of its predecessor agencies. If an event of default shall have occurred, then AID may give the Borrower notice that all or any part of the unpaid Principal will be due and payable sixty (60) days thereafter, and, unless such Event of Default is cured within that time:

a) All unpaid principal and accrued interest hereunder will be due and payable immediately;

b) 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:

1) An Event of Default has occurred; or

2) An event occurs that AID determines to be an extraordinary situation that makes it improbable either that the purpose of the Loan will be

attained or that the Borrower will be able to perform its obligations under this Agreement; or

3) Any disbursement by AID would be in violation of the legislation governing AID; or

4) The Borrower 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 the Borrower or any of its agencies and the Government of the United States or any of its agencies;

Then, AID 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 the Borrower;

2) Refuse to issue additional commitment documents or to make disbursements under then existing ones; and

3) If and as agreed, direct that title to goods financed under the loan be transferred to AID or the goods are from a source outside the Dominican Republic and have not been loaded in a seizable state and have not been offloaded in ports of the Dominican Republic. Any disbursement made under the loan with respect to such transferred goods will be deducted from Principal.

Section B. Acceleration by AID. 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, AID may cancel any part of the loan that is not then disbursed or irrevocably committed to third parties.

SECTION D.3. Continued Effectiveness of Agreement. Notwithstanding any cancellation, suspension of disbursements, 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.

1) 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, AID notwithstanding the availability or exercise of any other remedies provided for under this Agreement, may require the Borrower to refund the amount of such disbursement in United States dollars to AID within sixty (60) days after receipt of a request therefor. The right to require such a refund of a disbursement will continue, notwithstanding any other provision of this Agreement, for three (3) years from the date of the last disbursement under this Agreement.

2) Any refund under the preceding subsection, or any refund to AID from a contractor, supplier, bank, or other third party with respect to goods or services financed under the Loan, 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:

a) be made available first for the cost of goods and services required for the project, to the extent justified, and

b) The remainder, if any, will be applied to the installments of Principal in the reverse order of their maturity and the amount of the Loan reduced by the amount of such remainder.

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.