

No. 2068

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
and
NICARAGUA**

Loan Agreement—*Highway Project*—(with annexed Loan Regulations No. 3 and exchange of letters). Signed at Washington, on 7 June 1951

Letter-Agreement concerning special commitments. Washington, 13 February 1952

Official texts: English.

Registered by the International Bank for Reconstruction and Development on 28 January 1953.

**BANQUE INTERNATIONALE POUR
LA RECONSTRUCTION ET LE DÉVELOPPEMENT
et
NICARAGUA**

Contrat d'emprunt — *Projet relatif au réseau routier* — (avec, en annexe, le Règlement n° 3 sur les emprunts et un échange de lettres). Signé à Washington, le 7 juin 1951

Accord par lettre concernant des engagements spéciaux. Washington, 13 février 1952

Textes officiels anglais.

Enregistrés par la Banque internationale pour la reconstruction et le développement le 28 janvier 1953.

No. 2068. LOAN AGREEMENT¹ (*HIGHWAY PROJECT*)
BETWEEN THE REPUBLIC OF NICARAGUA AND THE
INTERNATIONAL BANK FOR RECONSTRUCTION AND
DEVELOPMENT. SIGNED AT WASHINGTON, ON
7 JUNE 1951

AGREEMENT, dated June 7, 1951, between REPUBLIC OF NICARAGUA (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

Article I

THE LOAN

Section 1.01. The Bank agrees to lend to the Borrower, on the terms and conditions hereinafter in this Agreement set forth or referred to, the sum of three million five hundred thousand dollars (\$3,500,000), or the equivalent in currencies other than dollars.

Section 1.02. The parties to this Agreement accept all the provisions of Loan Regulations No. 3² of the Bank dated December 6, 1950 (hereinafter called the Loan Regulations), a copy of which has been furnished to the Borrower, with the same force and effect as if they were fully set forth herein.

Section 1.03. The Bank shall open a Loan Account on its books in the name of the Borrower and shall credit to such Account the amount of the Loan. The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, the Loan Regulations. Copies of forms of withdrawal applications have been delivered to the Borrower.

Section 1.04. The Borrower shall pay to the Bank a commitment charge at the rate of three quarters of one per cent ($\frac{3}{4}$ of 1%) per annum on the principal amount of the Loan not so withdrawn from time to time. For the purposes of Section 2.02 of the Loan Regulations the term "Effective Date"

¹ Came into force on 17 August 1951 upon notification by the Bank to the Government of Nicaragua.

² See p. 292 of this volume.

shall mean the Effective Date or August 15, 1951, whichever shall be the earlier, or such other date as shall be agreed upon between the Borrower and the Bank.

Section 1.05. The Borrower shall pay interest at the rate of four and one-eighth per cent ($4\frac{1}{8}\%$) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

Section 1.06. Interest and commitment charge shall be payable semi-annually on March 15 and September 15 in each year.

Section 1.07. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 1¹ to this Agreement.

Article II

USE OF PROCEEDS OF THE LOAN

Section 2.01. The Borrower shall cause the proceeds of the Loan to be applied exclusively to the cost of goods which will be required for the carrying out of the Project as described in Schedule 2² attached hereto. The specific goods to be purchased out of the proceeds of the Loan shall be determined by agreement between the Bank and the Borrower, and the list of such goods may be modified from time to time by agreement between them.

Section 2.02. The Borrower shall cause all goods purchased in whole or in part with the proceeds of the Loan to be used in the territories of the Borrower exclusively in the carrying out of the Project.

Section 2.03. All contracts entered into by the Borrower for the carrying out of the Project or for the purchase of goods to be used in the carrying out of the Project shall be in form and substance satisfactory to the Bank.

Article III

BONDS

Section 3.01. The Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in the Loan Regulations.

Section 3.02. The Minister of Finance and Public Credit (Ministro de Hacienda y Crédito Público) of the Borrower and such person or persons as he shall appoint in writing are designated as authorized representatives of the Borrower for the purposes of Section 6.12 of the Loan Regulations.

¹ See p. 288 of this volume.

² See p. 290 of this volume.

Article IV

PARTICULAR COVENANTS

Section 4.01. (a) The Borrower shall cause the carrying out of the Project to proceed with due diligence and efficiency and in conformity with sound engineering practice.

(b) The Borrower shall cause to be furnished to the Bank, promptly upon their preparation, the plans for the Project and any material modifications subsequently made therein.

(c) The Borrower shall cause to be maintained books, accounts and records adequate to identify the goods purchased in whole or in part with the proceeds of the Loan, to disclose the end-use thereof in the Project, to record the progress of the Project and to reflect the operations and transactions of the Borrower in connection with the Project.

Section 4.02. The Borrower and the Bank will cooperate fully to assure that the purposes of the Loan shall be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan. On the part of the Borrower, such information shall include information with respect to the Project and to financial and economic conditions in the territories of the Borrower and the international balance of payments position of the Borrower. The Borrower and the Bank will from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan and the maintenance of the service thereof. The Borrower will promptly inform the Bank of any condition that shall interfere with, or threaten to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof. If the Borrower or any of its political subdivisions or any Agency shall propose to incur any substantial external debt, the Borrower will inform the Bank of the proposal and, before the taking of the proposed action will afford the Bank all opportunity which is reasonably practicable in the circumstances to exchange views with the Borrower with respect thereto; provided, however, that the foregoing provisions of this sentence shall not apply to: (i) the incurring of additional external debt through utilization, in accordance with the terms of any credit established prior to the date of this Agreement, of any unused amounts available under such credit; (ii) the entering into international payments or similar agreements the term of which is not more than one year and under which the transactions on each side are expected to balance over the period of the agreement; or (iii) the incurring in the ordinary course of business of any indebtedness maturing not more than two years after its date. The Borrower will afford all reasonable opportunity for accredited representatives of the Bank to visit any part of the territories of the Borrower for purposes related to the Loan.

Section 4.03. It is the mutual intention of the Borrower and the Bank that no other external debt shall enjoy any priority over the Loan by way of a lien on governmental assets. To that end, the Borrower undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Borrower or any of its political subdivisions or any Agency as security for any external debt, such lien shall *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision shall be made to that effect. However, this Section shall not apply to: (i) any lien created on any property at the time of purchase thereof solely as security for the payment of the purchase price of such property; (ii) any lien on commercial goods to secure debt maturing not more than one year after its date and to be paid out of the proceeds of sale of such commercial goods; or (iii) any lien to secure debt incurred in the ordinary course of banking business and maturing not more than one year after its date.

Section 4.04. The principal of, and interest and other charges on, the Loan and the Bonds, shall be paid without deduction for and free from any taxes imposed by the Borrower or any taxing authority thereof or therein and free from all restrictions of the Borrower, its political subdivisions or any Agency. The foregoing provision of this Section shall not apply to taxes on payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Borrower. The Loan Agreement and the Bonds shall be free of any issue, stamp or other tax imposed by the Borrower or any taxing authority thereof or therein.

Section 4.05. The Borrower shall satisfy the Bank that it has made adequate arrangements to insure the goods financed with the proceeds of the Loan against risks incident to their purchase and importation into the territories of the Borrower.

Section 4.06. The Borrower will cause all machinery and equipment purchased with the proceeds of the Loan to be adequately maintained and repaired, and will cause suitable workshops to be maintained in suitable places for that purpose.

Section 4.07. The Borrower will cause the roads constructed with the proceeds of the Loan to be adequately maintained and from time to time will cause all necessary repairs thereof to be made, all in accordance with sound engineering standards.

Section 4.08. The Borrower will provide the currency of the Borrower required for carrying out the Project in accordance with the following plan :

(a) not less than 2,600,000 córdobas will be provided out of the funds of the Recargos Cambiarios established pursuant to a Law of the Borrower dated November 9, 1950, entitled *Ley Reguladora de Cambios Internacionales*.

(b) the remainder will be provided by means of specific budget appropriations in annual amounts, satisfactory to the Bank, which shall be sufficient to meet the estimated expenditures for the Project payable in córdobas during the year covered by each such appropriation.

Section 4.09. The amounts referred to in (a) and (b) of Section 4.08 will be deposited into accounts to be opened by the Borrower in the Banco Nacional de Nicaragua which will be available only for the purpose of meeting expenditures required for the Project and the Borrower will maintain in such accounts at all times an aggregate amount, satisfactory to the Bank, sufficient to meet the estimated expenditures for the Project payable in córdobas during the next six months period.

Article V

REMEDIES OF THE BANK

Section 5.01. If any event specified in paragraphs (a) or (b) of Section 5.02 of the Loan Regulations shall occur and shall have continued for a period of thirty days or if an event specified in paragraph (c) of Section 5.02 of the Loan Regulations shall occur and shall have continued for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower, then at any subsequent time during the continuance thereof, the Bank, at its option, may declare the principal of the Loan and of all the Bonds then outstanding to be due and payable immediately, and upon any such declaration such principal shall become due and payable immediately, anything in this Agreement or in the Bonds to the contrary notwithstanding.

Article VI

MISCELLANEOUS

Section 6.01. The Closing Date shall be December 1, 1954.

Section 6.02. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Borrower : Gobierno de Nicaragua, Ministerio de Hacienda y Crédito Público, Palacio Nacional, Managua, Nicaragua.

For the Bank : International Bank for Reconstruction and Development, 1818 H Street, N. W., Washington 25, D. C.

Section 6.03. The Minister of Finance and Public Credit (Ministro de Hacienda y Crédito Público) or the Minister of Development and Public Works (Ministro de Fomento y Obras Públicas) of the Borrower in office at the time in question is designated for the purposes of Section 8.03 of the Loan Regulations.

Section 6.04. The date specified for the purposes of Section 9.04 of the Loan Regulations shall be August 15, 1951.

Section 6.05. Wherever used in this Agreement the term Agency shall mean any agency or instrumentality of the Borrower or of any political subdivision of the Borrower and shall include any institution or organization which is owned or controlled directly or indirectly by the Borrower or by any political subdivision of the Borrower or the operations of which are conducted primarily in the interest of or for account of the Borrower or any political subdivision of the Borrower.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Agreement to be signed in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

Republic of Nicaragua :
By René SCHICK
Authorized Representative

International Bank for Reconstruction and Development :
By Eugene R. BLACK
President

SCHEDULE 1

AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal</i>	<i>Principal Amount Outstanding After Each Payment</i>	<i>Date Payment Due</i>	<i>Payment of Principal</i>	<i>Principa Amount Outstanding After Each Payment</i>
September 15, 1953	—	\$3,500,000	March 15, 1958	\$236,000	\$1,791,000
March 15, 1954	\$ 87,000	3,413,000	September 15, 1958	241,000	1,550,000
September 15, 1954	88,000	3,325,000	March 15, 1959	246,000	1,304,000
March 15, 1955	198,000	3,127,000	September 15, 1959	250,000	1,054,000
September 15, 1955	202,000	2,925,000	March 15, 1960	256,000	798,000
March 15, 1956	218,000	2,707,000	September 15, 1960	261,000	537,000
September 15, 1956	222,000	2,485,000	March 15, 1961	266,000	271,000
March 15, 1957	227,000	2,258,000	September 15, 1961	271,000	—
September 15, 1957	231,000	2,027,000			

PREMIUMS ON PREPAYMENT AND REDEMPTION

The following percentages are specified as the premiums payable on repayment in advance of maturity of any part of the principal amount of the Loan pursuant to Section 2.05 (b) of the Loan Regulations or on the redemption of any Bond prior to its maturity pursuant to Section 6.16 of the Loan Regulations:

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than 1 year before maturity	1/2%
More than 1 year and not more than 3 years before maturity	3/4%
More than 3 years and not more than 5 years before maturity	1%
More than 5 years and not more than 7 years before maturity	1 1/2%
More than 7 years before maturity	2%

SCHEDULE 2

DESCRIPTION OF THE PROJECT

The Project is a program for the construction of approximately 266 Km. of paved all-weather roads, which will be an extension of the highway system of the Borrower. The roads will open up new agricultural areas and connect these areas with the Capital of the Borrower, while at the same time improving the means of reaching the Borrower's main ports.

The construction program covers three regional groups: Northern, East-West, and Western. The specific works to be carried out are as follows:

	<i>Approximate Length of Road in Kilometers</i>
1. NORTHERN REGION	
Matagalpa—Tuma	40
Matagalpa—Jinotega	35
2. EAST-WEST REGION	
Managua—Santo Domingo—Masaya	31
Granada—Masaya	15
San Jorge—San Juan del Sur	31
3. WESTERN REGION	
Managua—León	80
León—Telica	8
Telica—Chinandega	27

These roads will be provided with an adequate stabilized base and surfaced with asphalt pavement having a minimum width of 5 meters. The shoulder to shoulder width will be not less than 7 meters. All roads will be provided with drainage, culverts, bridges and fenced rights of way.

Suitable shops and facilities will be maintained for the repair and servicing of equipment purchased with the proceeds of the Loan. Provision will also be made for the training of personnel to operate, service and repair such equipment.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 3, DATED 6 DECEMBER 1950

REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK TO MEMBER GOVERNMENTS

[*Not published herein. See p. 170 of this volume.*]

EXCHANGE OF LETTERS

I

July 17, 1951

Ing. Constantino Lacayo Fiallos
Ministro de Fomento y Obras Públicas
Palacio Nacional
Managua, Nicaragua

Dear Mr. Lacayo :

I refer to my conversation with Mr. Alfredo Sacasa about the omission which was made inadvertently in the final draft and in the signed copies in Section 4.01 (c) of the Loan Agreement (Highway Project) dated June 7, 1951, between us. The words omitted related to the inspection of the Project and the goods, to information relating to the end-use of such goods, and to the examination of records and documents. We would like to clarify this matter and we understand from our conversation with Mr. Sacasa that the Nicaraguan Government is willing to do so.

Instead of arranging for a formal amendment to the Loan Agreement, the simplest way to clarify this matter would be by means of a letter addressed to the Bank giving assurance that the Nicaraguan Government will afford representatives of the Bank all reasonable opportunity to inspect the Project and the goods and to examine any relevant records and documents, and will furnish to the Bank all such information as the Bank shall reasonably request relating to the end-use of such goods.

Sincerely yours

(*Signed*) Leopoldo CANCIO
Attorney

II

MINISTERIO DE HACIENDA Y CRÉDITO PÚBLICO

Palacio Nacional
Managua, D. N.,

Julio 25 de 1951

International Bank for
Reconstruction and Development
Washington, D.C.

Dear Sirs :

Referring to the Loan Agreement (Highway Project) signed between the Government of Nicaragua and your bank on June 7-1951 in which an omission was made inadvertently in the final draft and in the signed copies in Section 4.01 (c) of this Loan Agreement; and

Referring also to the letter of July 17-1951 addressed to Ing. Constantino Lacayo Fiallos, Ministro de Fomento y Obras Públicas, by your Attorney Mr. Leopoldo Cancio, as well as to Mr. Cancio's conversation with Mr. Alfredo Sacasa in Washington, all of which tends to clarify the omission related to the inspection of the Project and the goods, to information relating to the end-use of such goods, and to the examination of records and documents,

I, hereby, as Ministro de Hacienda of The Republic of Nicaragua, certify that :

The Nicaraguan Government will afford representatives of the Bank all reasonable opportunity to inspect the Project and the goods and to examine any relevant records and documents, and will furnish to the Bank all such information as the Bank shall reasonably request relating to the end-use of such goods.

Yours very truly,

(Signed) Rafael A. HUEZO
Ministro de Estado en el Despacho
de Hacienda y Crédito Público

LETTER-AGREEMENT¹ BETWEEN THE REPUBLIC OF NICARAGUA AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT CONCERNING SPECIAL COMMITMENTS. SIGNED AT WASHINGTON, ON 13 FEBRUARY 1952

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Washington 25, D. C.

February 13, 1952

Gobierno De Nicaragua
Ministerio De Hacienda Y
Crédito Público
Palacio Nacional
Managua, Nicaragua

Gentlemen :

1. Please refer to Loan Agreement Number 45 NI (Highway Project)² between Republic of Nicaragua and this Bank and to Loan Regulations Number 3³ of the Bank which are applicable to that Loan Agreement pursuant to the provisions of Section 1.02 thereof.

2. Section 4.02 of such Regulations provides that the Bank may, at the request of the Borrower, enter into special commitments; and that the charge therefor shall be agreed upon between the parties. The Bank believes that a charge 1/2 of 1% per annum (in addition to the charge of 3/4 of 1% per annum provided in Section 1.04 of the Agreement) is appropriate for such transactions.

[For paragraph 3 (a) and (b) see p. 20 and 22 of this volume]

(c) such charge will be payable in United States dollars semi-annually (on March 15 and September 15 of each year in your case) together with other charges due under the Loan, in lieu of being debited to the Loan Account as a withdrawal therefrom as provided in Section 4.02 of the Regulations.

¹ Came into force on 13 February 1952 by signature.

² See p. 278 of this volume.

³ See p. 292 of this volume.

4. The Bank is suggesting that this charge be payable in the foregoing manner since it will be small in relation to other charges and seems to present a more convenient and practical method of effecting payment.

5. If the foregoing terms are agreeable to you, please so indicate your agreement by signing and returning the enclosed copy of this letter.

Sincerely yours,

Henry W. RILEY
Assistant Treasurer

Enclosure

Confirmed :

Republic of Nicaragua :

By Rafael A. HUEZO

Authorised Representative