

No. 2739

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
and
EL SALVADOR**

**Loan Agreement — Coastal Highway Project — (with
annexed Loan Regulations No. 3). Signed at Washington,
on 12 October 1954**

Official text: English.

*Registered by the International Bank for Reconstruction and Development on
27 January 1955.*

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

**Contrat d'emprunt — Projet relatif à la route côtière —
(avec, en annexe, le Règlement n° 3 sur les emprunts).
Signé à Washington, le 12 octobre 1954**

Texte officiel anglais.

*Enregistré par la Banque internationale pour la reconstruction et le développement
le 27 janvier 1955.*

No. 2739. LOAN AGREEMENT¹ (*COASTAL HIGHWAY PROJECT*) BETWEEN THE REPUBLIC OF EL SALVADOR AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 12 OCTOBER 1954

AGREEMENT, dated October 12, 1954, between REPUBLIC OF EL SALVADOR (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

Article I

LOAN REGULATIONS

Section 1.01. The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 3² of the Bank dated October 15, 1952, subject, however, to the modifications thereof set forth in Schedule 3³ to this Agreement (said Loan Regulations No. 3 as so modified being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in this Agreement set forth or referred to, an amount in various currencies equivalent to eleven million one hundred thousand dollars (\$11,100,000).

Section 2.02. 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 The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, the Loan Regulations.

Section 2.03. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ($\frac{3}{4}$ of 1 %) per annum on the principal amount of the Loan not so withdrawn from time to time.

¹ Came into force on 13 January 1955, upon notification by the Bank to the Government of the Republic of El Salvador.

² See p. 56 of this volume.

³ See p. 54 of this volume.

The date specified for the purposes of Section 2.02 of the Loan Regulations is 60 days after the date of this Agreement or the Effective Date, whichever shall be the earlier.

Section 2.04. The Borrower shall pay interest at the rate of four and one-half per cent ($4\frac{1}{2}$ %) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

Section 2.05. Interest and other charges shall be payable semi-annually on April 15 and October 15 in each year.

Section 2.06. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 1¹ to this Agreement.

Article III

USE OF PROCEEDS OF THE LOAN

Section 3.01. The Borrower shall cause the proceeds of the Loan to be applied exclusively (a) to financing the foreign exchange component of payments made or to be made under the contracts for the construction of the arterial highway entered into pursuant to Section 3.03 of this Agreement and under contracts with the technical consultant or consultants employed pursuant to Section 5.01 (b) of this Agreement ; or (b) to the extent that the Borrower and the Bank shall so agree, to financing the cost of equipment, supplies and services required to carry out the construction of the arterial highway included in the Project described in Schedule 2¹ to this Agreement.

Section 3.02. The Borrower shall cause all goods financed out of the proceeds of the Loan to be used in the territories of the Borrower exclusively in the carrying out of the Project.

Section 3.03. Except as the Borrower and the Bank shall otherwise agree, all contracts entered into by the Borrower for the construction of the arterial highway included in the Project or for the purchase of goods to be used in carrying out the Project shall be awarded on the basis of international competitive bidding and shall be in form and substance satisfactory to the Bank. Contracts providing for construction work on the arterial highway included in the Project shall contain provisions prohibiting subcontracting unless such subcontracting is approved by the Borrower and by the consultant or consultants employed pursuant to Section 5.01 (b) of this Agreement. Any such subcontracting shall also be subject to the approval of the Bank, if the amount of the proposed subcontract is the equivalent of \$100,000 or more.

¹ See p. 52 of this volume.

Article IV

BONDS

Section 4.01. The Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in the Loan Regulations.

Section 4.02. The Ministro de Hacienda 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.

Article V

PARTICULAR COVENANTS

Section 5.01 (a). The Borrower shall cause the Project to be carried out with due diligence and efficiency and in conformity with sound engineering and financial practices.

(b) Contractors mutually satisfactory to the Borrower and the Bank shall be employed by the Borrower to construct the arterial highway included in the Project. In connection with the construction of the arterial highway included in the Project, the Borrower shall also retain a competent and experienced technical consultant or consultants mutually satisfactory to the Borrower and the Bank upon terms and conditions mutually satisfactory to the Borrower and the Bank.

(c) The Borrower shall cause to be furnished to the Bank, promptly upon their preparation, the plans and specifications for the Project and any material modifications subsequently made therein. The design standards for the arterial highway included in the Project shall be mutually satisfactory to the Borrower and the Bank.

(d) The Borrower shall maintain or cause to be maintained records adequate to show the foreign exchange component of the payments made under construction contracts entered into pursuant to Section 3.03 of this Agreement and under contracts with the technical consultant or consultants employed pursuant to Section 5.01 (b) of this Agreement, to identify the goods financed out of the proceeds of the Loan, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof), and to reflect in accordance with consistently maintained sound accounting practices the financial condition and operations of the agency or agencies of the Borrower responsible for the construction or operation of the Project or any part thereof ; shall enable the Bank's representatives to inspect the Project, the goods and any relevant records and documents ; and shall furnish to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the Project, the goods and the finan-

cial condition and operations of the agency or agencies of the Borrower responsible for the construction or operation of the Project or any part thereof.

Section 5.02 (a). The Borrower and the Bank shall co-operate fully to assure that the purposes of the Loan will 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 financial and economic conditions in the territories of the Borrower and the international balance of payments position of the Borrower.

(b) The Borrower and the Bank shall 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 shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

(c) The Borrower shall 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 5.03. It is the mutual intention of the Borrower and the Bank that no external debt hereafter created 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, the Borrower will not cause or permit to be created any lien on any assets of the Borrower, as security for any external debt, unless the payment of the principal of, and interest and other charges on, the Loan and the Bonds shall be secured by such lien equally and ratably with such other external debt (in which event, in the creation of any such lien express provision will be made to that effect); provided, however, that the foregoing provisions of this Section shall not apply to: (i) any lien created on 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 a debt maturing not more than one year after the date on which it is originally incurred and to be paid out of the proceeds of sale of such commercial goods; or (iii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

As used in this Section (a) the term "assets of the Borrower" includes assets of the Borrower or of any of its political subdivisions or of any Agency; and (b) the term "Agency" means any agency or instrumentality of the Borrower or of any political subdivision of the Borrower and shall include any institution or organiza-

tion 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) including the Banco Central de Reserva de El Salvador.

Section 5.04. 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 or fees imposed under the laws of the Borrower or laws in effect in its territories ; provided, however, that the provisions of this Section shall not apply to taxation of, or fees upon, 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.

Section 5.05. The Loan Agreement and the Bonds shall be free from any taxes or fees that shall be imposed under the laws of the Borrower or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof and the Borrower shall pay all such taxes and fees, if any, imposed under the laws of the country or countries in whose currency the Loan and the Bonds are payable or laws in effect in the territories of such country or countries.

Section 5.06. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid free from all restrictions imposed under the laws of the Borrower or laws in effect in its territories.

Section 5.07. The Borrower shall at all times make available by appropriation or otherwise, for disbursement promptly as they are needed, all sums which shall be required for the carrying out of the Project. Without limiting the foregoing, the Borrower shall make provision through adoption of an extraordinary budget pursuant to Article 125 of the Constitution of El Salvador for appropriation of an aggregate amount of not less than 14,800,000 colones to be used in the construction of the arterial highway included in the Project. The minimum amounts to be made available during the calendar years 1955 through 1958 for the construction of the arterial highway are as follows :

1955	3,000,000 colones
1956	3,200,000 colones
1957	4,200,000 colones
1958	the balance of the 14,800,000 colones not previously made available

Any sums appropriated as provided herein shall be used only for the purpose for which they were appropriated, and if not completely expended in one calendar

year shall be carried over to the next calendar year or years and shall be used only for such purpose.

Section 5.08. The Borrower shall cause the roads in its highway system to be maintained at all times in accordance with sound engineering standards. To this end, the Borrower shall engage such technical personnel as shall be necessary and shall establish and maintain an adequate number of maintenance field shops. The Borrower shall at all times make available by appropriation or otherwise, for disbursement promptly as they are needed, all sums which shall be required for the proper maintenance of the Borrower's highway system. Specific appropriations shall be provided for road maintenance, and funds for such purpose shall be used only for the purpose for which they were appropriated.

Section 5.09. The Borrower shall satisfy the Bank that adequate arrangements have been made 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.

Article VI

REMEDIES OF THE BANK

Section 6.01. (i) If any event specified in paragraph (a) or paragraph (b) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of thirty days, or (ii) if any event specified in paragraph (c) of Section 5.02 of the Loan Regulations shall occur and shall continue 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 VII

EFFECTIVE DATE ; TERMINATION

Section 7.01. The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 9.01 (a) (ii) of the Loan Regulations: (a) any action necessary to enable the Borrower to employ the technical consultant or consultants referred to in Section 5.01 (b) of this Agreement shall have been taken, and such consultant or consultants shall have been employed; and (b) an extraordinary budget shall have been adopted as provided in Section 5.07 of this Agreement.

Section 7.02. The following are specified as additional matters, within the meaning of Section 9.02 (c) of the Loan Regulations, to be included in the opinion or opinions to be furnished to the Bank : (a) that all action necessary to enable the Borrower to employ the technical consultant or consultants referred to in Section 5.01 (b) of this Agreement has been taken ; and (b) that all action necessary for the adoption of an extraordinary budget as provided in Section 5.07 of this Agreement has been duly and validly taken.

Section 7.03. A date 90 days after the date of this Agreement is hereby specified for the purposes of Section 9.04 of the Loan Regulations.

Article VIII

MISCELLANEOUS

Section 8.01. The closing date shall be April 15, 1959.

Section 8.02. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Borrower : Ministerio de Obras Públicas, Palacio Nacional, San Salvador, El Salvador, Central America, and Ministerio de Hacienda, Palacio Nacional, San Salvador, El Salvador, Central America.

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

Section 8.03. The Ministro de Hacienda of the Borrower is designated for the purposes of Section 8.03 of the Loan Regulations.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan 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 El Salvador
By Héctor DAVID CASTRO
R. MEZA AYAU H.
Authorized Representatives

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

SCHEDULE 1

AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>	<i>Principal Amount Outstanding After Each Payment (expressed in dollars)*</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>	<i>Principal Amount Outstanding After Each Payment (expressed in dollars)*</i>
October 15, 1958	—	\$11,100,000	April 15, 1963	\$698,000	\$5,346,000
April 15, 1959	\$584,000	10,516,000	October 15, 1963	714,000	4,632,000
October 15, 1959	597,000	9,919,000	April 15, 1964	730,000	3,902,000
April 15, 1960	611,000	9,308,000	October 15, 1964	746,000	3,156,000
October 15, 1960	624,000	8,684,000	April 15, 1965	763,000	2,393,000
April 15, 1961	638,000	8,046,000	October 15, 1965	780,000	1,613,000
October 15, 1961	653,000	7,393,000	April 15, 1966	798,000	815,000
April 15, 1962	667,000	6,726,000	October 15, 1966	815,000	—
October 15, 1962	682,000	6,044,000			

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 of 1 %
More than 1 year but not more than 3 years before maturity	3/4 of 1 %
More than 3 years but not more than 6 years before maturity	1 %
More than 6 years but not more than 9 years before maturity	1 1/2 %
More than 9 years before maturity	2 %

SCHEDULE 2

DESCRIPTION OF THE PROJECT

An arterial highway, together with a network of branch and feeder roads in the coastal region of El Salvador will be surveyed, designed and constructed or improved. The arterial highway, which will be a two-lane all-weather road, will extend in a generally west-east direction approximately 306 kilometers from La Hachadura at the Guatemalan border to near the port of La Unión on the Gulf of Fonseca, as follows :

* To the extent that any part of the Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.02), the figures in these columns represent dollar equivalents determined as for purposes of withdrawal.

<i>Section</i>	<i>Approximate Length (Km.)</i>
La Hachadura—Acajutla	43
Acajutla—Río Mizata	27
Río Mizata—Río El Zonte	26
Río El Zonte—La Libertad	19
La Libertad—Comalapa	28
Comalapa—El Playón	40
El Playón—Usulután	38
Usulután—El Delirio	32
El Delirio—Intipucá	22
Intipucá—La Unión	32

Local roads giving access to the arterial highway will be designed and constructed and branch roads connecting with the arterial highway will be improved, either simultaneously with or after the end of construction of the arterial highway.

SCHEDULE 3

MODIFICATIONS OF LOAN REGULATIONS NO. 3¹

For the purposes of this Agreement the provisions of Loan Regulations No. 3 of the Bank, dated October 15, 1952, shall be deemed to be modified as follows :

(a) Subparagraph (c) of Section 2.05 shall read as follows :

(c) It is the policy of the Bank to encourage the repayment of its loans prior to maturity. Accordingly the Bank will sympathetically consider, in the light of all circumstances then existing, any request of the Borrower to waive the payment of any premium payable under paragraph (b) of this Section on repayment of the Loan (and likewise the payment of any premium payable under Section 6.16 on redemption of Bonds held by the Bank).

(b) Subparagraph (g) of Section 5.02 shall read as follows :

(g) After the date of the Loan Agreement and prior to the Effective Date any action shall have been taken which would have constituted a violation of any covenant contained in the Loan Agreement relating to the creation of liens as security for debt if the Loan Agreement had been effective on the date such action was taken.

(c) The third and fourth sentences of paragraph (i) of Section 7.03 shall be deleted and the following shall be substituted :

Each party shall defray its own expenses in the arbitration proceedings. The costs of the Arbitral Tribunal shall be divided and borne equally by the parties. Any question concerning the division of the costs of the Arbitral Tribunal or the procedure for payment of such costs shall be determined by the Arbitral Tribunal.

(d) The last two sentences of Section 8.03 shall be deleted, so that the Section will read as follows :

¹ See p. 56 of this volume.

Any action required or permitted to be taken, and any documents required or permitted to be executed, under the Loan Agreement on behalf of the Borrower may be taken or executed by the representative of the Borrower designated in the Loan Agreement for the purposes of this Section or any person thereunto authorized in writing by him.

(e) Section 9.01 shall read as follows :

The Loan Agreement shall not become effective until :

(a) the Borrower has notified the Bank that (i) the execution and delivery of the Loan Agreement on behalf of the Borrower have been duly authorized or ratified by all necessary governmental action, and (ii) all other events specified in the Loan Agreement as conditions to its effectiveness have occurred ;

(b) the Borrower has furnished to the Bank evidence thereof satisfactory to the Bank ; and

(c) the Bank has given the notification provided for in Section 9.03 of these Regulations.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 3, DATED 15 OCTOBER 1952

REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK TO MEMBER GOVERNMENTS

[Not published herein. See *United Nations, Treaty Series, Vol. 165, p. 252.*]