

No. 2970

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

**Loan Agreement—*Highway Rehabilitation Project* (with  
annexed Loan Regulations No. 3). Signed at Wash-  
ington, on 12 July 1955**

*Official text: English.*

*Registered by the International Bank for Reconstruction and Development on  
20 October 1955.*

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

**Contrat d'emprunt — *Projet relatif à la réfection du réseau  
routier* (avec, en annexe, le Règlement n° 3 sur les  
emprunts). Signé à Washington, le 12 juillet 1955**

*Texte officiel anglais.*

*Enregistré par la Banque internationale pour la reconstruction et le développement  
le 20 octobre 1955.*

No. 2970. LOAN AGREEMENT<sup>1</sup> (*HIGHWAY REHABILITATION PROJECT*) BETWEEN THE REPUBLIC OF PANAMA AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 12 JULY 1955

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AGREEMENT, dated July 12, 1955, between REPUBLIC OF PANAMA (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS the Borrower by Decree-Law No. 8 of May 6, 1954, has created in its Ministry of Public Works a commission, known as the Comisión de Caminos, Aeropuertos y Muelles, and has made such commission responsible, among other things, for the construction and maintenance of highways in the territories of the Borrower;

WHEREAS the Borrower has submitted to the Bank a project for the rehabilitation of the highway system of the Borrower, and the Bank has agreed to assist in the financing of such project;

NOW THEREFORE, the parties hereto agree as follows :

*Article I*

LOAN REGULATIONS; SPECIAL DEFINITIONS

*Section 1.01.* The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 3 of the Bank dated February 15, 1955<sup>2</sup>, subject, however, to the modifications thereof set forth in Schedule 3<sup>3</sup> to this Agreement (such 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.

*Section 1.02.* The term "CAM" shall mean the Comisión de Caminos, Aeropuertos y Muelles, an instrumentality of the Borrower created by Decree-Law No. 8 of May 6, 1954 of the Borrower, and shall include any department or agency of the Borrower which may be charged with all or part of the functions of said Comisión upon its dissolution or otherwise.

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<sup>1</sup> Came into force on 1 September 1955, upon notification by the Bank to the Government of the Republic of Panama.

<sup>2</sup> See p. 144 of this volume.

<sup>3</sup> See p. 144 of this volume.

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 of any political subdivision of the Borrower.

## 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 five million nine hundred thousand dollars (\$5,900,000).

*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.

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

*Section 2.05.* Except as the Borrower and the Bank shall otherwise agree, the charge payable for special commitments entered into by the Bank at the request of the Borrower pursuant to Section 4.02 of the Loan Regulations shall be at the rate of one-half of one per cent ( $\frac{1}{2}$  of 1%) per annum on the principal amount of any such special commitments outstanding from time to time.

*Section 2.06.* Interest and other charges shall be payable semi-annually on May 1 and November 1 in each year.

*Section 2.07.* The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 1<sup>1</sup> to this Agreement.

<sup>1</sup> See p. 140 of this volume.

*Article III*

## USE OF PROCEEDS OF THE LOAN

*Section 3.01.* The Borrower shall cause the proceeds of the Loan to be applied exclusively to financing the cost of goods required to carry out the Project described in Schedule 2<sup>1</sup> to this Agreement. The specific goods to be financed out of the proceeds of the Loan shall be determined by agreement between the Borrower and the Bank, subject to modification by further agreement between them.

*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.

*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 y Tesoro (Minister of Finance and the Treasury) and the Contralor General (Comptroller General) of the Borrower acting jointly and such person or persons as they shall jointly 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)* 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.

*(c)* The Borrower shall maintain or cause to be maintained records adequate to identify the goods financed out of the proceeds of the Loan, to disclose the use thereof in the Project, and 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 CAM with respect to the Project; shall enable the Bank's representatives to inspect the Project, the

<sup>1</sup> See p. 142 of this volume.

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 financial condition and operations of CAM with respect to the Project.

*Section 5.02.* (a) The Borrower and the Bank shall cooperate 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 other external debt shall enjoy any priority over the Loan by way of a lien hereafter created 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 as security for any external debt, such lien will *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 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; (iii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

The term "assets of the Borrower" as used in this Section includes assets of the Borrower or of any of its political subdivisions or of any Agency.

*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 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.

*Section 5.08.* (a) The Borrower shall cause all its machinery and equipment for highway maintenance and construction to be adequately maintained and repaired, and shall cause suitable workshops to be maintained in suitable places for that purpose.

(b) The Borrower shall cause the highways reconstructed with the proceeds of the Loan to be adequately maintained and shall cause all necessary repairs thereof to be made, all in accordance with sound engineering practices.

*Section 5.09.* The Borrower shall retain consultants, mutually satisfactory to the Borrower and the Bank, who will serve as executives in the Highway Department of CAM in such positions and for such periods as the Bank shall require.

*Section 5.10.* Except as the Bank shall otherwise agree, the Borrower shall cause the Highway Department of CAM to adopt and carry out such operating procedures and such policies for the recruitment and dismissal of its staff, necessary for the efficient carrying out of the Project, as the consultants shall recommend.

*Section 5.11.* Except as the Bank shall otherwise agree, the Borrower shall not undertake or execute or permit to be undertaken or executed any major project for the construction of new highways or the reconstruction of existing highways other than the Project and the Inter-American Highway unless prior to the time such project is undertaken or executed the Borrower shall have satisfied the Bank that it has on hand, or has made satisfactory arrangements to secure, the necessary funds to carry out such project. For purposes of this Section, a major project shall be deemed to be one the estimated cost of which is more than 25,000 Balboas or the equivalent thereof in other currencies.

### *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 is specified as an additional matter, 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: That the Agreement dated June 15, 1955 between the Borrower and the Banco Nacional de Panamá, providing for advances to the Borrower to meet expenditures of the Project payable in Balboas, has been duly executed and constitutes a valid and binding obligation of the Borrower and the Banco Nacional de Panamá in accordance with its terms.

*Section 7.02.* A date 60 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 March 31, 1959.

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

For the Borrower : Comisión de Caminos, Aeropuertos y Muelles, Ministerio de Obras Públicas, Panamá, República de Panamá.

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 y Tesoro (Minister of Finance and the Treasury) or the Chairman of the Comisión de Caminos, Aeropuertos y Muelles 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 Panama

By R. M. HEURTEMATTE

Authorized Representative

International Bank for Reconstruction and Development

By W. A. B. ILIFF

Assistant to the 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>
Nov. 1, 1958 . . .	—	\$5,900,000	Nov. 1, 1961 . . .	\$700,000	\$1,800,000
May 1, 1959 . . .	\$400,000	5,500,000	May 1, 1962 . . .	600,000	1,200,000
Nov. 1, 1959 . . .	500,000	5,000,000	Nov. 1, 1962 . . .	500,000	700,000
May 1, 1960 . . .	800,000	4,200,000	May 1, 1963 . . .	300,000	400,000
Nov. 1, 1960 . . .	900,000	3,300,000	Nov. 1, 1963 . . .	200,000	200,000
May 1, 1961 . . .	800,000	2,500,000	May 1, 1964 . . .	200,000	—

\* 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.

## 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 . . . . .	½%
More than 1 year but not more than 3 years before maturity . . . . .	¾%
More than 3 years but not more than 5 years before maturity . . . . .	1%
More than 5 years but not more than 7 years before maturity . . . . .	1½%
More than 7 years before maturity . . . . .	2%

## SCHEDULE 2

## DESCRIPTION OF THE PROJECT

The Project consists of a four-year program for the rehabilitation of the highway system of the Borrower, all as set forth in the document of CAM entitled : " A Four-Year Program for Administrative Reorganization, Personnel Training, Rehabilitation and Maintenance of Public Highways," dated April 1955. The Project, which is to be carried out by CAM, includes the organization of the Highway Department of CAM, the training of personnel and the reconstruction of highways.

I. *Organization of Highway Department*

The Highway Department of CAM will be so organized as to be capable of efficiently carrying out the permanent maintenance and the construction of public highways and roads in the territories of the Borrower and shall consist of an Administration Section, an Engineering Section and an Operations and Construction Section together with appropriate subsections.

II. *Training of Personnel*

Personnel will be selected and trained to fill the administrative and supervisory positions created in the newly organized Highway Department, including the positions held by consultants. A program will also be carried out for the training of skilled labor at all levels in the proper methods of maintenance and construction of highways, and in the operation, servicing and repair of equipment.

III. *Reconstruction of Highways*

Approximately 650 kilometers of primary roads and 380 kilometers of secondary roads will be reconstructed.

The reconstruction includes the restoration of base, pavement and surface; the widening and building up of shoulders; the strengthening, widening and reconditioning of bridges; the replacement, repair and cleaning of culverts and ditches. The roads will be widened and given limited realignment to provide greater safety.

## SCHEDULE 3

## MODIFICATIONS OF LOAN REGULATIONS

For the purposes of this Agreement the provisions of Loan Regulations No. 3 of the Bank, dated February 15, 1955, shall be deemed to be modified as follows :

(a) The second sentence of Section 4.01 shall be deemed to read as follows :

“Except as shall be otherwise agreed between the Bank and the Borrower, no withdrawals shall be made on account of (a) expenditures prior to the Effective Date or (b) expenditures in Balboas or (c) goods acquired from sources within the Borrower’s territories.”

(b) Paragraph 13 of Section 10.01 shall be deemed to read as follows :

“The term ‘external debt’ means any debt payable in any medium other than Balboas, whether such debt is payable absolutely or at the option of the creditor in such other medium.”

(c) The following new Paragraph 20 of Section 10.01 shall be deemed to be inserted :

“The term ‘Balboas’ means Balboas in the currency of the Borrower.”

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 3, DATED 15 FEBRUARY 1955

REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK TO MEMBER GOVERNMENTS.

[*Not published herein. See United Nations, Treaty Series, Vol. 211, No. 2852.*]