

No. 4346

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

**Loan Agreement—*Central do Brasil Suburban Car Project*  
(with annexed Loan Regulations No. 3). Signed at  
Washington, on 18 December 1953**

*Official text: English.*

*Registered by the International Bank for Reconstruction and Development on  
21 May 1958.*

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

**Contrat d'emprunt — *Projet relatif aux trains de voyageurs  
sur les lignes de banlieue du Central do Brasil* (avec  
en annexe, le Règlement n° 3 sur les emprunts). Signé  
à Washington, le 18 décembre 1953**

*Texte officiel anglais.*

*Enregistré par la Banque internationale pour la reconstruction et le développement  
le 21 mai 1958.*

No. 4346. LOAN AGREEMENT<sup>1</sup> (*CENTRAL DO BRASIL SUBURBAN CAR PROJECT*) BETWEEN THE UNITED STATES OF BRAZIL AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 18 DECEMBER 1953

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AGREEMENT, dated December 18, 1953, between the UNITED STATES OF BRAZIL (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

*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 October 15, 1952<sup>2</sup> (hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

*Section 1.02.* Except where the context otherwise requires the following terms have the following meanings wherever used in this Loan Agreement or in any Schedule hereto :

(1) The term "Central" means the Estrada de Ferro Central do Brasil a legal entity organized and existing under the laws of the Borrower and shall include any successor to the Estrada de Ferro Central do Brasil.

(2) The term "Desenvolvimento" means the Banco Nacional do Desenvolvimento Econômico a legal entity organized and existing under Law No. 1628, dated June 20, 1952, of the Borrower and shall include any successor to the Banco Nacional do Desenvolvimento Econômico.

*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, the sum of twelve million

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<sup>1</sup> Came into force on 2 September 1954, upon notification by the Bank to the Government of Brazil.

<sup>2</sup> See p. 246 of this volume.

five hundred thousand dollars (\$12,500,000), or the equivalent thereof in currencies other than dollars.

*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 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. The date specified for the purposes of Section 2.02 of the Loan Regulations is a date 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 seven-eighths per cent ( $4\frac{7}{8}$ %) 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 such special commitments outstanding.

*Section 2.06.* Interest and other charges shall be payable semi-annually on January 1 and July 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.

### Article III

#### USE OF THE PROCEEDS OF THE LOAN

*Section 3.01.* 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 described in Schedule 2<sup>1</sup> to this Agreement. The specific goods to be purchased out of the proceeds of the Loan shall be determined by agreement between the Borrower and the Bank, and the list of such goods may be modified from time to time by agreement between them.

<sup>1</sup> See p. 244 of this volume.

*Section 3.02.* The Borrower shall cause all goods purchased with 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 Minister of Finance 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)* 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 showing the use made of the goods, the progress of the Project (including the cost thereof) 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 and the revenues and costs of operation of the Rio de Janeiro suburban service of the Central; shall enable the Bank's representatives to examine 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 goods, the Project, and 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.

*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 Bor-

rower, 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 shall arise that shall interfere with, or threaten 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 intention of the Borrower that no other external debt shall have priority over the Loan in the allocation or realization of foreign exchange. Accordingly, the Borrower covenants that, unless the Bank shall otherwise agree in writing, any privilege or priority (including any mortgage, pledge or charge on any property, assets, revenues or receipts of the Borrower or any of its political subdivisions or any agency of any of them) which the Borrower or any such political subdivision or agency shall create or permit to be created as security for the payment of any external debt shall equally and ratably secure the payment of the Loan and the Bonds, and, in the creation of any such privilege or priority, express provision shall be made to that effect; provided, however, that this Section shall not apply (1) to the creation of any mortgage, pledge or other charge or priority on any property purchased, at the time of the purchase, solely as security for the payment of the purchase price of such property; or (2) to any pledge of commercial goods to secure 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 (3) to any pledge by or on behalf of the Borrower of any of its assets in the ordinary course of banking business to secure any indebtedness maturing not more than one year after its date.

*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.* It is the intention of the Borrower to place the Rio de Janeiro suburban service of the Central on a self sustaining basis as soon as the improvement of service makes it practicable. The Borrower recognizes that the raising of tariffs will be required to accomplish this intention and that the introduction into service of a substantial part of the new motive cars and trailers referred to in Item A of Schedule 2 to this agreement would be an appropriate time to start raising tariffs. Until such time as, through a readjustment of tariff rates or improvement in operating efficiency, the revenues of the Rio de Janeiro suburban service of the Central shall be sufficient to cover the expenses of providing such service (including reasonable allowances for depreciation, replacement and renewal) the Borrower will, through appropriate legal action, make available to the Central such amounts as shall be needed to cover such part of such expenses as cannot be met out of such revenues.

*Section 5.09.* The Borrower will, through appropriate legal action, make available to the Central the funds authorized for expenditure by the Central under Annex 3, item e, No. 8 of Law No. 1.102, of May 18, 1950 of the Borrower, in the total amount of 150 million Brazilian Cruzeiros. Such amount will be made available to the Central at the rate of 60.000.000 Brazilian Cruzeiros during the year 1954, 60.000.000 Brazilian Cruzeiros during the year 1955 and 30.000.000 Brazilian Cruzeiros during in the year 1956.

The Borrower will cause the Central to segregate the amounts so made available and to use such amounts only for the payment of costs and expenses of carrying out the Project.

*Article VI*

## REMEDIES OF THE BANK

*Section 6.01.* 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 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 Loan 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 (b) of the Loan Regulations: (a) an agreement in form and substance mutually satisfactory to the Borrower and the Bank shall have been entered into between Desenvolvimento and Central providing for a loan from Desenvolvimento to Central of such amounts of currency of the Borrower as shall be agreed upon between the Borrower and the Bank as being required to finance the costs of the Project which shall be payable in the currency of the Borrower; (b) arrangements satisfactory to the Borrower and the Bank shall have been made to enable the borrower to carry out the provisions of Item B of Schedule 2 to this Agreement; (c) arrangements mutually satisfactory to the Borrower and the Bank shall have been made to finance such part of the foreign exchange cost of the Project as shall not be covered by the Loan; and (d) this Loan Agreement shall have been duly registered by the Tribunal de Contas of the Borrower.

*Section 7.02.* 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 referred to in Section 7.01 (a) of this Agreement has been duly entered into by the parties thereto and constitutes a valid and binding obligation of the parties thereto in accordance with its terms.

*Section 7.03.* A date 90 days after the date of this Loan 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 December 31, 1954.

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

For the Borrower :

Ministerio da Fazenda  
Avenida Presidente Antonio Carlos 375  
Rio de Janeiro, Brasil

For the Bank :

International Bank for Reconstruction and Development  
1818 H Street, N. W.  
Washington, D. C.  
U. S. A.

*Section 8.03.* The Minister of Finance of the Borrower is designated for the purposes of Section 8.03 of the Loan Regulations, and if appointed by him, Desenvolvimento is designated for the same purposes.

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.

The United States of Brazil :

*By* MARIO DA CAMARA  
Authorized Representative

International Bank for Reconstruction and Development :

*By* R. L. GARNER  
Vice-President



## SCHEDULE 1

## AMORTIZATION SCHEDULE

| <i>Date<br/>Payment Due</i> | <i>Payment of<br/>Principal<br/>(expressed<br/>in dollars)*</i> | <i>Principal<br/>Amount<br/>Outstanding<br/>After Each<br/>Payment<br/>(expressed<br/>in dollars)*</i> | <i>Date<br/>Payment Due</i> | <i>Payment of<br/>Principal<br/>(expressed<br/>in dollars)*</i> | <i>Principal<br/>Amount<br/>Outstanding<br/>After Each<br/>Payment<br/>(expressed<br/>in dollars)*</i> |
|-----------------------------|---|--|-----------------------------|---|--|
| Jan. 1, 1959 . . . . .      | —   | \$12,500,000   | July 1, 1964 . . . . .      | \$627,000   | \$6,373,000  |
| July 1, 1959 . . . . .      | \$492,000   | 12,008,000   | Jan. 1, 1965 . . . . .      | 642,000   | 5,731,000  |
| Jan. 1, 1960 . . . . .      | 504,000   | 11,504,000   | July 1, 1965 . . . . .      | 657,000   | 5,074,000  |
| July 1, 1960 . . . . .      | 517,000   | 10,987,000   | Jan. 1, 1966 . . . . .      | 673,000   | 4,401,000  |
| Jan. 1, 1961 . . . . .      | 529,000   | 10,458,000   | July 1, 1966 . . . . .      | 690,000   | 3,711,000  |
| July 1, 1961 . . . . .      | 542,000   | 9,916,000  | Jan. 1, 1967 . . . . .      | 707,000   | 3,004,000  |
| Jan. 1, 1962 . . . . .      | 555,000   | 9,361,000  | July 1, 1967 . . . . .      | 724,000   | 2,280,000  |
| July 1, 1962 . . . . .      | 569,000   | 8,792,000  | Jan. 1, 1968 . . . . .      | 741,000   | 1,539,000  |
| Jan. 1, 1963 . . . . .      | 583,000   | 8,209,000  | July 1, 1968 . . . . .      | 760,000   | 779,000  |
| July 1, 1963 . . . . .      | 597,000   | 7,612,000  | Jan. 1, 1969 . . . . .      | 779,000   | —  |
| Jan. 1, 1964 . . . . .      | 612,000   | 7,000,000  |                             |   |  |

\* 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 5 years before maturity . . . . .                        | 1/2%           |
| More than 5 years but not more than 10 years before maturity . . . . . | 1%             |
| More than 10 years before maturity . . . . .                           | 1 3/4%         |

## SCHEDULE 2

## DESCRIPTION OF PROJECT

The project is a program for the improvement of the passenger service of the Rio de Janeiro suburban system of the Central. The following specific items are included as a part of the project.

Item A. *New Motive Cars and Trailers*

100 new all steel electric passenger trains, each consisting of one motive car and two trailer cars will be acquired and placed into service in the Rio de Janeiro suburban system of the Central.

Item B. *Repairs and Maintenance*

The Central will maintain the motive cars and trailers in service in its Rio de Janeiro suburban passenger system in an adequate state of maintenance and repair. The foregoing provision of this Item B shall be deemed to have been complied with if an average of approximately 90 percent of such motive cars and trailers purchased in whole or in part out of the proceeds of the loan and 85 percent of the other motor cars and trailers in use by the Central in such suburban system shall be in such condition as to be available for regular service.

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.*]