

No. 4977

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

**Loan Agreement—*Feeder Road Program and Complementary Projects* (with annexed Loan Regulations No. 3).
Signed at Washington, on 7 January 1959**

Official text: English.

*Registered by the International Bank for Reconstruction and Development on
21 December 1959.*

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

**Contrat d'emprunt — *Programme de routes secondaires et projets complémentaires* (avec, en annexe, le Règlement n° 3 sur les emprunts). Signé à Washington,
le 7 janvier 1959**

Texte officiel anglais.

*Enregistré par la Banque internationale pour la reconstruction et le développement
le 21 décembre 1959.*

No. 4977. LOAN AGREEMENT¹ (*FEEDER ROAD PROGRAM AND COMPLEMENTARY PROJECTS*) BETWEEN THE REPUBLIC OF EL SALVADOR AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 7 JANUARY 1959

AGREEMENT, dated January 7, 1959, 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. 3 of the Bank dated June 15, 1956,² subject, however, to the modifications thereof set forth in Schedule 3₂ 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 five million dollars (\$5,000,000).

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 The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, the Loan Regulations.

(b) Notwithstanding the foregoing, no withdrawals shall be made from the Loan Account in respect of goods to be used in carrying out parts B (2) and B (3) of the Project until (i) agreement between the Republic of Guatemala and

¹ Came into force on 20 November 1959, upon notification by the Bank to the Government of El Salvador.

² See p. 68 of this volume.

the Borrower has been reached on the international aspects of the construction and maintenance of the bridge across the Rio de Paz; and (ii) the Borrower has furnished to the Bank a legal opinion or opinions satisfactory to the Bank of counsel acceptable to the Bank showing that such agreement constitutes a valid and binding obligation of the Republic of Guatemala and the Borrower in accordance with its terms.

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. Such commitment charge shall accrue from a date sixty days after the date of this Agreement to the respective dates on which amounts shall be withdrawn by the Borrower from the Loan Account as provided in Article IV of the Loan Regulations or shall be cancelled pursuant to Article V of the Loan Regulations.

Section 2.04. The Borrower shall pay interest at the rate of five and three-fourths per cent ($5\frac{3}{4}\%$) 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 April 15 and October 15 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 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 to financing the cost of goods required to carry out the Project described in Schedule 2² to this Agreement. The specific goods to be financed out of the proceeds of the Loan and the methods and procedures for procurement of such goods shall be determined by agreement between the Borrower and the Bank, subject to modification by further agreement between them.

¹ See p. 66 of this volume.

² See p. 68 of this volume.

Section 3.02. Except as the Borrower and the Bank shall otherwise agree, 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 or reconstruction of all the roads or sections of roads included in the Project shall be awarded on the basis of international competitive bidding and shall be in form and substance satisfactory to the Bank.

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) Except as the Borrower and the Bank shall otherwise agree : (i) contractors mutually satisfactory to the Borrower and the Bank shall be employed by the Borrower to construct or reconstruct all roads or sections of roads included in the Project; and (ii) the Borrower shall, in the carrying out of the Project, retain competent and experienced technical consultants mutually satisfactory to the Borrower and the Bank upon terms and conditions mutually satisfactory to the Borrower and the Bank.

(c) (i) The Borrower shall cause to be furnished to the Bank, promptly upon their preparation, the plans, specifications and work schedule for the Project and any material modifications subsequently made therein, in such detail as the Bank shall from time to time request; (ii) the general design standards and the types of pavement, if any, to be used on the roads or sections of roads included in the Project shall be determined by agreement between the Borrower and the Bank, subject to modification by further agreement between them.

(d) 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 operations and financial condition 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, and the goods, and the operations and financial condition 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 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 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, 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; 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.

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 of the Borrower or of any such political subdivision, including assets of 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 satisfy the Bank that adequate arrangements have been made to insure the goods financed out of the proceeds of the Loan against risks incident to their purchase and importation into the territories of the Borrower.

Section 5.08. 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 12,000,000 colones to be used in the carrying out of the Project. The minimum amounts to be made

available during the calendar years 1959 through 1962 for the execution of the Project are as follows :

1959	2,300,000 colones
1960	4,500,000 colones
1961	3,900,000 colones
1962	1,300,000 colones

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 5.09. 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.

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, any thing 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 consultants referred to in Section 5.01 (b) of this Agreement shall have been taken, and such consultants shall have been employed ; and (b) an extraordinary budget shall have been adopted as provided in Section 5.08 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 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 5.08 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 December 31, 1962.

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

For the Borrower :

Ministro de Obras Públicas
Palacio Nacional
San Salvador, El Salvador
and

Ministro de Hacienda
Palacio Nacional
San Salvador, El Salvador

Alternative addresses for cablegrams and radiograms :

Ministro de Obras Públicas
San Salvador
and

Ministro de Hacienda
San Salvador

For the Bank :

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

Alternative address for cablegrams and radiograms :

Intbafrad
Washington, D. C.

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 Roberto PARKER

By Hector David CASTRO

Authorized Representatives

International Bank for Reconstruction and Development :

By W. A. B. ILIFF

Vice President

SCHEDULE 1

AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars) *</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars) *</i>
April 15, 1963	\$156,000	April 15, 1969	220,000
October 15, 1963	161,000	October 15, 1969	226,000
April 15, 1964	165,000	April 15, 1970	233,000
October 15, 1964	170,000	October 15, 1970	239,000
April 15, 1965	175,000	April 15, 1971	246,000
October 15, 1965	180,000	October 15, 1971	253,000
April 15, 1966	185,000	April 15, 1972	260,000
October 15, 1966	191,000	October 15, 1972	268,000
April 15, 1967	196,000	April 15, 1973	276,000
October 15, 1967	202,000	October 15, 1973	284,000
April 15, 1968	208,000	April 15, 1974	292,000
October 15, 1968	214,000		

* 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 this column 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 3 years before maturity	½ of 1%
More than 3 years but not more than 6 years before maturity	2%
More than 6 years but not more than 11 years before maturity	3 ½ %
More than 11 years but not more than 13 years before maturity	4 ¾ %
More than 13 years before maturity	5 ¾ %

SCHEDULE 2

DESCRIPTION OF PROJECT

The Project consists of :

A. The construction and reconstruction of twenty-one feeder roads, eighteen of which will connect with the Coastal Highway. The general location of the roads will be as agreed between the Borrower and the Bank.

B. The execution of the following three items complementary to the Coastal Highway Project provided for in the loan agreement dated October 12, 1954,¹ between the Borrower and the Bank :

- (1) The repair of the existing earthwork of the section between La Libertad and Comalapa of the Coastal Highway and the pavement thereof consisting of a base and a double bituminous surface treatment.
- (2) The construction, in collaboration with the Government of Guatemala, of a two-lane highway bridge across the Rio de Paz on the border between El Salvador and Guatemala.
- (3) The construction of an extension of the Coastal Highway, approximately four kilometers long, to the site of the bridge across the Rio de Paz.

SCHEDULE 3

MODIFICATIONS OF LOAN REGULATIONS No. 3

For the purposes of this Agreement the provisions of Loan Regulations No. 3 of the Bank, dated June 15, 1956, shall be deemed to be modified by deleting Section 2.02 thereof.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 3, DATED 15 JUNE 1956

REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK TO MEMBER GOVERNMENTS

[Not published herein. See *United Nations, Treaty Series, Vol. 280, p. 302.*]

¹ *United Nations, Treaty Series, Vol. 203, p. 37.*