

No. 5607

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

**Loan Agreement — *Second Road Project* (with annexed  
Loan Regulations No. 3). Signed at Washington, on  
19 August 1960**

*Official text: English.*

*Registered by the International Bank for Reconstruction and Development on  
14 March 1961.*

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

**Contrat d'emprunt — *Deuxième projet routier* (avec, en  
annexe, le Règlement n° 3 sur les emprunts). Signé à  
Washington, le 19 août 1960**

*Texte officiel anglais.*

*Enregistré par la Banque internationale pour la reconstruction et le développement le  
14 mars 1961.*

No. 5607. LOAN AGREEMENT<sup>1</sup> (*SECOND ROAD PROJECT*)  
BETWEEN THE REPUBLIC OF PANAMA AND THE  
INTERNATIONAL BANK FOR RECONSTRUCTION AND  
DEVELOPMENT. SIGNED AT WASHINGTON, ON 19 AU-  
GUST 1960

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AGREEMENT, dated August 19, 1960, between the REPUBLIC OF PANAMA (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 June 15, 1956<sup>2</sup>, subject, however, to the modifications thereof set forth in Schedule 3<sup>2</sup> 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.

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

(a) The term "CAM" shall mean Comisión de Caminos, Aeropuertos y Muelles, an instrumentality of the Borrower created by Decree-Law Number 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.

(b) 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.

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<sup>1</sup> Come into force on 16 December 1960, upon notification by the Bank to the Government of Panama.

<sup>2</sup> See p. 170 of this volume.

*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 seven million two hundred thousand dollars (\$7,200,000).

*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. 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 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 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 and the methods and procedures for procurement of such

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<sup>1</sup> See p. 168 of this volume.

goods shall be determined by agreement between the Borrower and the Bank, subject to modification by further agreement between them.

*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.

#### *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* and the *Contralor 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) Except as the Bank shall otherwise agree, the Borrower shall, in the carrying out of the Project, employ or cause to be employed engineering consultants acceptable to, and to an extent and upon terms and conditions satisfactory to, the Borrower and the Bank.

(c) Except as the Bank shall otherwise agree, the roads included in Part A of the Project shall be constructed by contractors satisfactory to the Borrower and the Bank, under contracts satisfactory to the Borrower and the Bank.

(d) The general design standards and the types of surfacing (including pavement) to be used for the roads included in the Project shall be as determined by agreement between the Borrower and the Bank, subject to modification by further agreement between them.

(e) Upon request from time to time by the Bank, the Borrower shall promptly furnish to the Bank the plans, specifications and work schedules for the Project and any material modifications subsequently made therein, in such detail as the Bank shall request.

(f) The Borrower shall at all times make available promptly as needed all sums which shall be required for the carrying out of the Project. Without limitation

upon the foregoing the Borrower specifically undertakes to include in its budgets to be submitted to the Asamblea Nacional for appropriation during each of the fiscal years during which the Project is being carried out such sums as shall be required for the Project during each such fiscal year to the extent not covered by withdrawals to be made from the Loan Account during such year or by other then available sources specifically committed to the Project. Any such sums shall be used only for the purpose for which they were appropriated.

(g) The Borrower undertakes that sums for highway construction, reconstruction and maintenance included in the annual budgets to be submitted to the Asamblea Nacional will be specified in a separate article of such budgets and segregated from such other sums as may be provided therein for urban streets.

(h) 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 Highway Department of CAM with respect to the Project; 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 Highway Department 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 on govern-

mental 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.

*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.* (a) The Borrower shall cause all the machinery and equipment used in carrying out Part B of the Project 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 all the roads in its highway system, to be adequately maintained and shall cause all necessary repairs thereof to be made, all in accordance with sound engineering practices. The Borrower shall engage such technical personnel and maintain such field maintenance shops as shall be necessary for this purpose.

*Section 5.09.* The Borrower undertakes to complete on or before the Closing Date the program of reconstruction of highways described in Schedule 2 to the loan agreement dated July 12, 1955,<sup>1</sup> between the Borrower and the Bank. Such highways shall be completed to standards and specifications to be agreed upon between the Borrower and the Bank.

*Section 5.10.* Except as the Borrower and the Bank shall otherwise agree, the Borrower shall not, before the completion of the Project, undertake or execute or cause to be undertaken or executed any major project for the construction of new highways or the reconstruction of existing highways other than the Project, the highways referred to in Section 5.09 and the Inter-American Highway.

## 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

### MISCELLANEOUS

*Section 7.01.* The Closing Date shall be May 30, 1964.

*Section 7.02.* The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations:

<sup>1</sup> United Nations, *Treaty Series*, Vol. 219, p. 127.

For the Borrower:

Comisión de Caminos, Aeropuertos y Muelles  
Ministerio de Obras Públicas  
Panamá, República de Panamá

Alternative address for cablegrams and radiograms:

CAM  
Obras Públicas  
Panamá, Panamá

For the Bank:

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

Alternative address for cablegrams and radiograms:

Intbafrad  
Washington, D. C.

*Section 7.03.* The *Ministro de Hacienda y Tesoro* of the Borrower or the Chairman of CAM is designated for the purposes of Section 8.03 of the Loan Regulations.

*Section 7.04.* The list of roads to be included in the Project and the order of their construction shall be determined from time to time by agreement between the Borrower (acting through the Chairman of CAM) and the Bank, subject to modification by further agreement between them.

*Section 7.05.* A date 60 days after the date of this Agreement is hereby specified for the purposes of Section 9.04 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 Fernando ELETA A.  
Authorized Representative

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>
July 1, 1964 . . . . .	\$225,000	July 1, 1970 . . . . .	\$316,000
January 1, 1965 . . . . .	232,000	January 1, 1971 . . . . .	326,000
July 1, 1965 . . . . .	238,000	July 1, 1971 . . . . .	335,000
January 1, 1966 . . . . .	245,000	January 1, 1972 . . . . .	344,000
July 1, 1966 . . . . .	252,000	July 1, 1972 . . . . .	354,000
January 1, 1967 . . . . .	259,000	January 1, 1973 . . . . .	365,000
July 1, 1967 . . . . .	267,000	July 1, 1973 . . . . .	375,000
January 1, 1968 . . . . .	275,000	January 1, 1974 . . . . .	386,000
July 1, 1968 . . . . .	283,000	July 1, 1974 . . . . .	397,000
January 1, 1969 . . . . .	291,000	January 1, 1975 . . . . .	408,000
July 1, 1969 . . . . .	299,000	July 1, 1975 . . . . .	420,000
January 1, 1970 . . . . .	308,000		

\* 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 of about 300 kilometers of feeder roads serving agricultural areas of high potential.
- B. The completion (including surfacing) of about 138 kilometers of access roads connecting some of the above feeder roads with the Inter-American Highway and the Divisoria Las Tablas Highway.

The Highway Department of CAM will carry out the work to be done pursuant to paragraph B above.

## 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 as follows :

(a) Section 2.02 shall be deleted.

(b) The first five lines of Section 5.02 shall read as follows :

"SECTION 5.02. *Suspension by the Bank.* If any of the following events shall have happened and be continuing, the Bank may at any time or from time to time by notice to the Borrower suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account :"

(c) The last paragraph of Section 5.02 shall read as follows :

"The right of the Borrower to make withdrawals from the Loan Account shall continue to be suspended in whole or in part, as the case may be, until the event or events which gave rise to such suspension shall have ceased to exist or until the Bank shall have notified the Borrower that the right to make withdrawals has been restored, whichever is the earlier ; provided, however, that in the case of any such notice of restoration, the right to make withdrawals shall be restored only to the extent and subject to the conditions specified in such notice, and no such notice shall affect or impair any right, power or remedy of the Bank in respect of any other or subsequent event described in this Section."

(d) Section 9.03 shall read as follows :

"SECTION 9.03. *Effective Date.* Notwithstanding the provisions of Section 8.01, except as shall be otherwise agreed by the Borrower and the Bank, the Loan Agreement shall come into force and effect on the date upon which the Bank dispatches to the Borrower notice of its acceptance of the evidence required by Section 9.01."

(e) Paragraph 13 of Section 10.01 shall read as follows :

"13. The term 'external debt' means any debt payable in any medium other than Balboas, whether such debt is or may become payable absolutely or at the option of the creditor in such other medium."

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

"20. The term 'Balboas' means Balboas in the currency of the Borrower."

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.*]