

No. 6204

**INTERNATIONAL DEVELOPMENT ASSOCIATION
and
COSTA RICA**

Development Credit Agreement—*Highway Project* (with related letter and annexed Development Credit Regulations No. 1). Signed at Washington, on 13 October 1961

Official text: English.

Registered by the International Development Association on 13 June 1962.

**ASSOCIATION INTERNATIONALE
DE DÉVELOPPEMENT
et
COSTA RICA**

Contrat de crédit de développement — *Projet relatif au réseau routier* (avec lettre y relative et, en annexe, le Règlement n° 1 sur les crédits de développement). Signé à Washington, le 13 octobre 1961

Texte officiel anglais.

Enregistré par l'Association internationale de développement le 13 juin 1962.

No. 6204. DEVELOPMENT CREDIT AGREEMENT¹ (*HIGHWAY PROJECT*) BETWEEN THE REPUBLIC OF COSTA RICA AND THE INTERNATIONAL DEVELOPMENT ASSOCIATION. SIGNED AT WASHINGTON, ON 13 OCTOBER 1961

AGREEMENT, dated October 13, 1961, between REPUBLIC OF COSTA RICA (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS (A) the Borrower has requested the Association to provide a credit to it in an amount equivalent to \$5,500,000 to assist the Borrower in financing a program for reconstruction, construction and maintenance of certain highways in the territories of the Borrower;

(B) the Borrower has also requested the International Bank for Reconstruction and Development (hereinafter called the Bank) to make a loan to it to provide additional assistance for the same purpose;

(C) by an agreement of even date² herewith between the Bank and the Borrower (hereinafter called the Loan Agreement), the Bank is agreeing to make a loan of the equivalent of \$5,500,000 to the Borrower; and

WHEREAS the Association has agreed, upon the basis of the foregoing, to provide a credit to the Borrower upon the terms and conditions hereinafter set forth;

NOW THEREFORE, it is hereby agreed as follows :

Article I

CREDIT REGULATIONS

Section 1.01. The parties to this Agreement accept all the provisions of Development Credit Regulations No. 1 of the Association dated June 1, 1961³ (said Development Credit Regulations No. 1 being hereinafter called the Regulations No. 1 being hereinafter called the Regulations) with the same force and effect as if they were fully set forth herein.

¹ Came into force on 2 May 1961, upon notification by the Association to the Government of Costa Rica.

² United Nations, *Treaty Series*, Vol. 430.

³ See p. 18 of this volume.

Article II

THE CREDIT

Section 2.01. The Association agrees to make available to the Borrower, on the terms and conditions in this Agreement set forth or referred to, a development credit in an amount in various currencies equivalent to five million five hundred thousand dollars (\$5,500,000).

Section 2.02. The Association shall open a Credit Account on its books in the name of the Borrower and shall credit to such Credit Account the amount of the Credit. The amount of the Credit may be withdrawn from the Credit Account as provided in, and subject to the rights of cancellation and suspension set forth in, this Agreement and the Regulations; provided, however, that no withdrawals shall be made on account of expenditures prior to October 1, 1961; and provided, further, that, notwithstanding any provision of the Regulations or of this Agreement, no amount shall be withdrawn from the Credit Account at any time if the amount of such withdrawal and all prior withdrawals from the Credit Account shall be greater than the aggregate amount which shall have been, or shall concurrently be, withdrawn from the Loan Account (as that term is used in the Loan Agreement) pursuant to the Loan Agreement.

Section 2.03. Withdrawals from the Credit Account shall be in such freely convertible currency or currencies as the Association shall from time to time reasonably select.

Section 2.04. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one per cent ($\frac{3}{4}$ of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time. The Borrower shall also pay to the Association a service charge at the same rate on the principal amount outstanding from time to time of any special commitment entered into by the Association pursuant to Section 4.02 of the Regulations.

Section 2.05. Service charges shall be payable semi-annually on May 1 and November 1 in each year.

Section 2.06. The Borrower shall repay the principal of the Credit withdrawn from the Credit Account in semi-annual instalments payable on each May 1 and November 1 commencing November 1, 1971, and ending May 1, 2011, each instalment to and including the instalment payable on May 1, 1981 to be one-half of one per cent ($\frac{1}{2}$ of 1%) of such principal amount and each instalment thereafter to be one and one-half per cent ($1\frac{1}{2}$ %) of such principal amount.

Article III

USE OF PROCEEDS OF THE CREDIT

Section 3.01. The Borrower shall cause the proceeds of the Credit to be applied exclusively to financing the cost of goods required to carry out the

Project described in Schedule 1¹ to this Agreement. The specific goods to be financed out of the proceeds of the Credit and the methods and procedures for procurement of such goods shall be determined by agreement between the Borrower and the Association, subject to modification by further agreement between them.

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

Article IV

PARTICULAR COVENANTS

Section 4.01. (a) The Borrower shall cause the Project to be carried out and maintained with due diligence and efficiency and in conformity with sound engineering, financial and highway practices.

(b) In carrying out the Project, the Borrower shall employ competent and experienced engineering consultants satisfactory to the Borrower and the Association upon terms and conditions satisfactory to the Borrower and the Association.

(c) Except as the Borrower and the Association shall otherwise agree, the Project shall be carried out by contractors satisfactory to the Borrower and the Association, employed under contracts satisfactory to the Borrower and the Association.

(d) The general design standards to be used for the Project shall be satisfactory to the Borrower and the Association.

(e) The Borrower shall furnish or cause to be furnished to the Association, promptly upon their preparation, the plans, specifications, contracts and work schedules for the Project and any material modifications subsequently made therein, in such detail as the Association shall request.

(f) The list of roads to be included in the Project shall be determined by agreement between the Borrower and the Association, subject to modification by further agreement between them.

Section 4.02. The Borrower shall maintain or cause to be maintained records adequate to identify the goods financed out of the proceeds of the Credit, 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 operations and financial condition of the agency or agencies of the Borrower responsible for the carrying out and operation of the Project or any part thereof; shall enable the Association's

¹ See p. 16 of this volume.

representatives to inspect the Project, the goods and any relevant records and documents; and shall furnish or cause to be furnished to the Association all such information as the Association shall reasonably request concerning the expenditure of the proceeds of the Credit, the Project, and the goods, and the operations and financial condition of the agency or agencies of the Borrower responsible for the carrying out and operation of the Project or any part thereof.

Section 4.03. (a) The Borrower and the Association shall cooperate fully to assure that the purposes of the Credit 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 Credit. 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 Association shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Credit and the maintenance of the service thereof. The Borrower shall promptly inform the Association of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Credit or the maintenance of the service thereof.

(c) The Borrower shall afford all reasonable opportunity for accredited representatives of the Association to visit any part of the territories of the Borrower for purposes related to the Credit.

Section 4.04. The principal of, and service charges on, the Credit shall be paid without deduction for, and free from, any taxes imposed under the laws of the Borrower or laws in effect in its territories and free from all restrictions imposed under the laws of the Borrower or laws in effect in its territories.

Section 4.05. This Agreement shall be free from any taxes 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.

Section 4.06. The Borrower shall satisfy the Association that adequate arrangements have been made to insure the goods financed out of the proceeds of the Credit against risks incident to their purchase and importation into the territories of the Borrower.

Section 4.07. (a) The Borrower shall at all times make available, promptly as they are needed, all funds and other resources which shall be required for the carrying out of the Project and the proper maintenance of its highway system.

(b) The Borrower shall give priority to the Project in its highway program and, to that end, shall, if necessary to accomplish the prompt and diligent carrying out of the Project, make such revisions in the construction schedules for other highway projects as may be required.

Section 4.08. (a) The Borrower shall cause all maintenance equipment and materials, and all spare parts, financed out of the proceeds of the Credit, to be used exclusively for the purposes of road maintenance.

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

Article V

REMEDIES OF THE ASSOCIATION

Section 5.01. (i) If any event specified in paragraph (a) or paragraph (c) of Section 5.02 of the Regulations shall occur and shall continue for a period of thirty days, or (ii) if any event specified in paragraph (b) of Section 5.02 of the Regulations shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower, or (iii) if any event specified in paragraph (a) of Section 5.02 of this Agreement shall occur, then at any subsequent time during the continuance thereof the Association, at its option, may declare the principal of the Credit 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 to the contrary notwithstanding.

Section 5.02. The following are specified as additional events for the purposes of Section 5.02 (j) of the Regulations :

- (a) The outstanding principal of the loan provided for in the Loan Agreement has been declared, or become, due and payable in advance of the agreed maturity thereof.
- (b) The Borrower has cancelled any part of the loan provided for in the Loan Agreement without a cancellation of a corresponding proportion of the Credit.

Article VI

EFFECTIVE DATE; TERMINATION

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 8.01 (b) of the Regulations :

- (a) that all conditions precedent to effectiveness of the Loan Agreement have been fulfilled; and
- (b) that the Development Credit Agreement has been duly ratified by the Legislative Assembly of the Borrower as required by Article 4 of Law No. 2719, dated February 10, 1961, of such Legislative Assembly.

Section 6.02. A date ninety days after the date of this Agreement is hereby specified for the purposes of Section 8.04 of the Regulations.

Article VII

MISCELLANEOUS

Section 7.01. The Closing Date shall be April 30, 1965, or such other date as may from time to time be agreed between the Borrower and the Association.

Section 7.02. The following addresses are specified for the purposes of Section 7.01 of the Regulations :

For the Borrower :

Ministro de Economía y Hacienda
San Jose
Costa Rica

Alternative address for cablegrams and radiograms :

Mineconomía
San Jose

For the Association :

International Development Association
1818 H Street, N.W.
Washington 25, D. C.
United States of America

Alternative address for cablegrams and radiograms :

Indevas
Washington, D. C.

Section 7.03. The Minister of Economy and Finance of the Borrower is designated for the purposes of Section 7.03 of the Regulations.

IN WITNESS WHEREOF, the parties hereto acting through their representatives thereunto duly authorized, have caused this Development Credit 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 Costa Rica :

By E. SALAS

Authorized Representative

International Development Association :

By J. Burke KNAPP

Vice President

SCHEDULE 1

DESCRIPTION OF PROJECT

The Project consists of :

- A. The reconstruction and construction of approximately 670 km of national and regional highways.
- B. A program for the improvement of the highway maintenance organization and its operation, including the construction and expansion of workshops and the acquisition of maintenance equipment, spare parts and materials.
- C. Studies of future highway projects; and the acquisition of surveying and testing equipment.

LETTER RELATING TO THE DEVELOPMENT CREDIT AGREEMENT

EMBAJADA DE COSTA RICA
WASHINGTON 8, D. C.

October 13, 1961

International Development Association
1818 H Street, N.W.
Washington 25, D. C.

Dear Sirs :

We refer to the Development Credit Agreement (*Highway Project*) of even date¹ herewith between us and to Section 3.02 of the Regulations referred to therein. Pursuant to such Section, we hereby request your agreement as follows :

- (i) Except as hereinafter provided, the principal amount of, and service charges on, the Credit provided for in such Agreement shall be payable in the currency of the United States of America.
- (ii) If at any time the Association shall determine that such currency is not freely convertible or freely exchangeable by it for currencies of other members of the Associa-

¹See p. 4 of this volume.

tion for the purposes of its operations, the Association shall so notify us and furnish us with a list of the currencies which, in the determination of the Association, are so convertible or so exchangeable.

- (iii) If within thirty days from the date of such notice the undersigned shall not have selected a specific currency or currencies from such list in which payment shall be made, then payment of such principal and service charges shall be made in a currency or currencies to be selected by the Association from such list.
- (iv) Any selection of a currency pursuant to (iii) shall be subject, in turn, to the provisions of (ii) and (iii) hereof.

Please indicate your agreement with the foregoing by signing the form of confirmation on the enclosed copy of this letter.

Very truly yours,

Republic of Costa Rica :
By E. SALAS
Authorized Representative

Confirmed:
International Development
Association :
By Orvis A. SCHMIDT

INTERNATIONAL DEVELOPMENT ASSOCIATION
DEVELOPMENT CREDIT REGULATIONS No. 1, DATED 1 JUNE 1961

REGULATIONS APPLICABLE TO DEVELOPMENT CREDIT AGREEMENTS WITH MEMBER
GOVERNMENTS

[*Not published herein. See United Nations, Treaty Series, Vol. 415, p. 68.*]