

No. 6202

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**INTERNATIONAL BANK FOR RECONSTRUCTION AND  
DEVELOPMENT  
and  
COSTA RICA**

**Loan Agreement—*Highway Project* (with annexed Loan  
Regulations No. 3). Signed at Washington, on  
13 October 1961**

*Official text: English.*

*Registered by the International Bank for Reconstruction and Development on  
13 June 1962.*

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**BANQUE INTERNATIONALE POUR  
LA RECONSTRUCTION ET LE DÉVELOPPEMENT  
et  
COSTA RICA**

**Contrat d'emprunt—*Projet relatif au réseau routier* (avec,  
en annexe, le Règlement n° 3 sur les emprunts). Signé  
à Washington, le 13 octobre 1961**

*Texte officiel anglais.*

*Enregistré par la Banque internationale pour la reconstruction et le développement  
le 13 juin 1962.*

No. 6202. LOAN AGREEMENT<sup>1</sup> (*HIGHWAY PROJECT*)  
BETWEEN THE REPUBLIC OF COSTA RICA AND  
THE INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT. SIGNED AT WASHINGTON, ON  
13 OCTOBER 1961

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AGREEMENT, dated October 13, 1961, between REPUBLIC OF COSTA RICA (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS (A) the Borrower has requested the Bank to make a loan 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 Development Association (hereinafter called the Association) to provide additional assistance for the same purpose ;

(C) by an agreement of even date herewith between the Borrower and the Association (hereinafter called the Development Credit Agreement), the Association is agreeing to provide such assistance in an amount equivalent to \$5,500,000 ; and

WHEREAS the Bank has agreed, upon the basis of the foregoing, to make a loan to the Borrower upon the terms and conditions hereinafter set forth ;

NOW THEREFORE, it is hereby agreed as follows :

*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 February 15, 1961<sup>2</sup> (said Loan Regulations No. 3 being hereinafter called the Loan Regulations) with the same force and effect as if they were fully set forth herein.

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<sup>1</sup> Came into force on 2 May 1962, upon notification by the Bank to the Government of Costa Rica.

<sup>2</sup> See p. 44 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 five million five hundred thousand dollars (\$5,500,000).

*Section 2.02.* The Bank shall open a Loan Account on its books in the name of the Borrower and shall credit to such Loan 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; provided, however, that, notwithstanding any provision of the Loan Regulations or of this Agreement, no amount shall be withdrawn from the Loan Account at any time if the amount of such withdrawal and all prior withdrawals from the Loan Account shall be greater than the aggregate amount which shall have been, or shall concurrently be, withdrawn from the Credit Account (as that term is used in the Development Credit Agreement) pursuant to the Development Credit Agreement.

*Section 2.03.* 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 2.04.* 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 2.05.* 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.

*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

<sup>1</sup> See p. 42 of this volume.

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 goods 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 Minister of Economy and 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 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 Bank upon terms and conditions satisfactory to the Borrower and the Bank.

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

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

(e) The Borrower shall furnish or cause to be furnished to the Bank, 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 Bank shall request.

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<sup>1</sup> See p. 44 of this volume.

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

*Section 5.02.* 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, 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 Bank's representatives to inspect the Project, the goods and any relevant records and documents; and shall furnish or cause to be furnished 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 carrying out and operation of the Project or any part thereof.

*Section 5.03.* (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 5.04.* 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 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 ; or (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

As used in this Section, the term "assets of the Borrower" 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 the Banco Central de Costa Rica or any other institution performing the functions of a central bank.

*Section 5.05.* 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 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 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 5.06.* The Loan Agreement and the Bonds 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 and the Borrower shall pay all such taxes, 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 5.07.* 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 5.08.* 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 5.09.* (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 5.10.* (a) The Borrower shall cause all maintenance equipment and materials, and all spare parts, financed out of the proceeds of the Loan, 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 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, or (iii) if any event specified in paragraph (a) or paragraph (b) of Section 6.02 of this Agreement shall occur and shall continue for a period of sixty days, or (iv) if any event specified in paragraph (c) of Section 6.02 of this Agreement shall occur, 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.

*Section 6.02.* The following are specified as additional events for the purposes of Section 5.02 (h) of the Loan Regulations :

- (a) A default has occurred in the payment of principal, interest, service charge or any other payment required under any development credit agreement between the Borrower and the Association.
- (b) A default has occurred in the performance of any other covenant or agreement on the part of the Borrower under the Development Credit Agreement.
- (c) The outstanding principal amount of the Credit provided for in the Development Credit Agreement has been declared, or become, due and payable in advance of the agreed maturity thereof.
- (d) The Borrower has cancelled any part of the financing provided for in the Development Credit Agreement without a cancellation of a corresponding proportion of the Loan.

*Article VII*

## EFFECTIVE DATE ; TERMINATION

*Section 7.01.* The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 9.01 (b) of the Loan Regulations :

- (a) that all conditions precedent to the effectiveness of the Development Credit Agreement have been fulfilled ; and
- (b) that the Loan 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 7.02.* A date ninety 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 April 30, 1965, or such other date as may from time to time be agreed between the Borrower and the Bank.

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

For the Borrower :

Ministro de Economia y Hacienda  
San Jose  
Costa Rica

Alternative address for cablegrams and radiograms :

Mineconomia  
San Jose

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 8.03.* The Minister of Economy and Finance 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 Costa Rica :

By E. SALAS  
Authorized Representative

International Bank for Reconstruction and Development :

By J. BURKE KNAPP  
Vice President

#### SCHEDULE I

##### 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>
May 1, 1965 . . . . .	\$162,000	May 1, 1971 . . . . .	\$228,000
November 1, 1965 . . . . .	167,000	November 1, 1971 . . . . .	235,000
May 1, 1966 . . . . .	172,000	May 1, 1972 . . . . .	241,000
November 1, 1966 . . . . .	177,000	November 1, 1972 . . . . .	248,000
May 1, 1967 . . . . .	182,000	May 1, 1973 . . . . .	255,000
November 1, 1967 . . . . .	187,000	November 1, 1973 . . . . .	263,000
May 1, 1968 . . . . .	192,000	May 1, 1974 . . . . .	270,000
November 1, 1968 . . . . .	198,000	November 1, 1974 . . . . .	278,000
May 1, 1969 . . . . .	204,000	May 1, 1975 . . . . .	286,000
November 1, 1969 . . . . .	209,000	November 1, 1975 . . . . .	294,000
May 1, 1970 . . . . .	216,000	May 1, 1976 . . . . .	303,000
November 1, 1970 . . . . .	222,000	November 1, 1976 . . . . .	311,000

\* To the extent that any part of the Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.03), 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 three years before maturity . . . . .	1/2 %
More than three years but not more than six years before maturity . . . . .	2 %
More than six years but not more than eleven years before maturity . . . . .	3 1/2 %
More than eleven years but not more than thirteen years before maturity . . . . .	4 3/4 %
More than thirteen years before maturity . . . . .	5 3/4 %

## SCHEDULE 2

## 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.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 3, DATED 15 FEBRUARY 1961

REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK TO MEMBER GOVERNMENTS

[*Not published herein. See United Nations, Treaty Series, Vol. 414, p. 268.*]