

No. 6780

**INTERNATIONAL DEVELOPMENT ASSOCIATION
and
EL SALVADOR**

**Development Credit Agreement—*Third Highway Project*
(with related letter and annexed Development Credit
Regulations No. 1). Signed at Washington, on 2 No-
vember 1962**

Official text: English.

Registered by the International Development Association on 18 June 1963.

**ASSOCIATION INTERNATIONALE
DE DÉVELOPPEMENT
et
SALVADOR**

**Contrat de crédit de développement — *Troisième projet
relatif au réseau routier* (avec lettre y relative et, en
annexe, le Règlement n° 1 sur les crédits de développe-
ment). Signé à Washington, le 2 novembre 1962**

Texte officiel anglais.

Enregistré par l'Association internationale de développement le 18 juin 1963.

No. 6780. DEVELOPMENT CREDIT AGREEMENT¹ (*THIRD HIGHWAY PROJECT*) BETWEEN THE REPUBLIC OF EL SALVADOR AND THE INTERNATIONAL DEVELOPMENT ASSOCIATION. SIGNED AT WASHINGTON, ON 2 NOVEMBER 1962

AGREEMENT, dated November 2, 1962, between REPUBLIC OF EL SALVADOR (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

Article I

CREDIT REGULATIONS

Section 1.01. The parties hereto accept all the provisions of Development Credit Regulations No. 1 of the Association dated June 1, 1961,² with the same force and effect as if they were fully set forth herein.

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 eight million dollars (\$8,000,000).

Section 2.02. The Association shall open a Credit Account on its books in the name of the Borrower and shall credit to such 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 The amount of the Credit may be withdrawn from the Credit Account as provided in, and subject to the rights of cancellation and suspension set forth in, this Agreement and the Regulations.

Section 2.03. Except as the Borrower and the Association shall otherwise agree, the Borrower shall be entitled, subject to the provisions of this Agreement, to withdraw from the Credit Account (i) such amounts as shall have been expended for the reasonable foreign exchange cost of Parts B and C of the Project; (ii) the equivalent of a percentage or percentages to be established from time to time by agreement between the Borrower and the Association of such

¹ Came into force on 8 April 1963, upon notification by the Association to the Government of El Salvador.

² See p. 348 of this volume.

amounts as shall have been expended by the Borrower for the reasonable cost of goods required for carrying out Part A of the Project; and (iii) if the Association shall so agree, such amounts as shall be required by the Borrower to meet the reasonable cost of the foregoing; provided, however, that no withdrawals shall be made on account of expenditures prior to October 1, 1962.

Section 2.04. 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 2.05. 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 2.06. Service charges shall be payable semi-annually on May 1 and November 1 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Credit in semi-annual instalments payable on each May 1 and November 1 commencing November 1, 1972 and ending May 1, 2012, each instalment to and including the instalment payable on May 1, 1982 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 the Schedule¹ 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. Except as the Borrower and the Association shall otherwise agree, 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.

¹ See p. 344 of this volume.

Article IV

PARTICULAR COVENANTS

Section 4.01. (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 Association shall otherwise agree, in the carrying out of the Project the Borrower shall employ or cause to be employed engineering consultants acceptable to, and upon terms and conditions satisfactory to, the Borrower and the Association.

(c) Except as the Association shall otherwise agree, the Borrower shall cause the Project to 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 and the type of surfacing (including pavement) to be used for the Project shall be as determined by agreement between the Borrower and the Association, subject to modification by further agreement between them.

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

(f) 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.

(g) The Borrower shall adopt before 1963 an extraordinary budget pursuant to Article 125 of the Constitution of El Salvador appropriating an aggregate amount of not less than 12,000,000 colones to be used in the carrying out of Parts A and C of the Project. The minimum amounts to be appropriated in such budget for the calendar years 1963 through 1966 for the execution of Parts A and C of the Project are as follows :

1963	2,000,000 colones
1964	3,500,000 colones
1965	4,000,000 colones
1966	2,500,000 colones

If the sum expended for carrying out Parts A and C of the Project in one calendar year exceeds the amount appropriated for such year, the difference will be deducted from the amount appropriated for the calendar year 1966, provided that such deduction would not interfere with the proper carrying out of Parts A and C of the Project.

In addition an aggregate amount of 1,750,000 colones shall be made available as a separate item in the Highway Maintenance Budget for Part B of the Project. This amount shall be made available in equal sums during the calendar years 1963 to 1966.

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.

The obligation contained in this sub-paragraph (*g*) shall be without prejudice to the general obligations set forth in Sections 4.01 (*a*), 4.01 (*f*) and 4.05 of this Agreement.

(*h*) 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 of the Project or any part thereof; shall enable the Association's 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, the goods and the operations and financial condition of the agency or agencies of the Borrower responsible for the carrying out of the Project or any part thereof.

Section 4.02. (*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.

(*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 4.03. The principal of, and service charges on, the Credit 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 and free from all restrictions imposed under the laws of the Borrower or laws in effect in its territories.

Section 4.04. This Agreement 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.

Section 4.05. 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 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, then at any subsequent time 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.

Article VI

EFFECTIVE DATE; TERMINATION

Section 6.01. The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 8.01 (b) of the Regulations: (a) any action necessary to enable the Borrower to employ the engineering consultants referred to in Section 4.01 (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 4.01 (g) of this Agreement.

Section 6.02. The following are specified as additional matters, within the meaning of Section 8.02 (c) of the Regulations, to be included in the opinion or opinions to be furnished to the Association: (a) that all action necessary to enable the Borrower to employ the engineering consultants referred to in Section 4.01 (b) of this Agreement has been taken; and (b) that all action necessary for the adoption of an extraordinary budget as provided in Section 4.01 (g) of this Agreement has been duly and validly taken.

Section 6.03. A date 90 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 May 1, 1967, 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 Obras Publicas
Palacio Nacional
San Salvador
El Salvador
and
Ministro de Hacienda
3a Avenida Norte y 13a Calle Poniente
San Salvador
El Salvador

Alternative addresses for cablegrams and radiograms :

Ministra de Obras Publicas
San Salvador
and
Ministro de Hacienda
San Salvador

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 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 El Salvador :

By H. BERNAL H.

Authorized Representative

International Development Association :

By J. Burke KNAPP

Vice President

SCHEDULE

DESCRIPTION OF PROJECT

The Project consists of :

A. The improvement, construction or reconstruction of seven trunk roads and four feeder roads totaling about 364 km in length. The general location and design classification of the roads are as listed below :

Trunk Roads	<i>Design Standard</i>	<i>Estimated Length Km</i>
1. San Salvador-Acajutla	Primary	85
2. Santa Tecla-La Libertad	Primary	23
3. Sonzacate-San Jorge	Secondary	26
4. Sitio Del Nino-Apopa	Secondary	28
5. San Miguel-Agua Salada	Primary	50
6. El Poy-Tejutla	Secondary	40
7. El Jobo-Ahuachapan	Primary	16
Feeder Roads		
1. Juayua-Los Arenales	Tertiary	9
2. Teotepeque-Santa Tecla	Tertiary	36
3. Santo Tomas-Cojutepeque	Tertiary	36
4. San Ramon-Inter-American Highway	Tertiary	15
		364

B. The reorganization, equipping and training of the organization charged with the maintenance of the Coastal Highway so that it will be effectively and efficiently maintained, and the provision of three suitable workshops along the Coastal Highway.

C. Engineering services for the construction and reconstruction of the roads under Part A, and for the maintenance program for the Coastal Highway under Part B.

LETTER RELATING TO THE DEVELOPMENT CREDIT AGREEMENT

EMBAJADA DE EL SALVADOR¹
WASHINGTON

November 2, 1962

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

Gentlemen :

Credit No. 31 ES (Third Highway Project)
Currency of Repayment

We refer to the Development Credit Agreement (*Third Highway Project*) of even date² 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 we shall desire that, commencing with a given future payment date, such principal and service charges shall be payable in an eligible currency other than that specified in (i) (or other than one designated under this clause (ii)) we shall deliver to the Association, not less than three nor more than five months prior to such payment date, a notice in writing to that effect and designating such other eligible currency. Whereupon the currency so designated shall, commencing with such payment date, be the currency in which such principal and service charges shall be payable.
- (iii) If at any time the Association shall determine that a currency payable pursuant to the provisions of this letter is not an eligible currency, the Association shall so notify us in writing and furnish us with a list of eligible currencies.
- (iv) Within thirty days from the date of such notice we shall notify the Association in writing of our selection of a currency from such list in which payment shall be made, failing which the Association shall select a currency for such purpose from such list, whereupon, in either case, such principal and service charges shall, commencing with the payment date next succeeding such thirty day period, be payable in the currency so selected.
- (v) Any designation or selection of a currency pursuant to the foregoing provisions shall be subject, in turn, to the provisions of this letter.
- (vi) For the purposes of this letter, " eligible currency " means any currency of a member of the Association which the Association at the relevant time determines to be freely

¹ Embassy of El Salvador.

² See p. 332 of this volume.

convertible or freely exchangeable by it for currencies of other members of the Association for the purposes of its operations.

Please indicate your agreement with the foregoing by signing the form of confirmation on the enclosed copy of this letter and returning it to us.

Very truly yours,

Republic of El Salvador :
H. BERNAL H.
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.*]