

No. 6976

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

Loan Agreement—*Rivas Irrigation Project* (with related letter and annexed Loan Regulations No. 3). Signed at Washington, on 1 March 1963

Official text: English.

Registered by the International Bank for Reconstruction and Development on 15 November 1963.

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

Contrat d'emprunt — *Projet d'irrigation de Rivas* (avec lettre connexe et, en annexe, le Règlement n° 3 sur les emprunts). Signé à Washington, le 1^{er} mars 1963

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 15 novembre 1963.

No. 6976. LOAN AGREEMENT¹ (*RIVAS IRRIGATION PROJECT*) BETWEEN THE REPUBLIC OF NICARAGUA AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 1 MARCH 1963

AGREEMENT, dated March 1, 1963, between REPUBLIC OF NICARAGUA (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

Article I

LOAN REGULATIONS ; SPECIAL DEFINITION

Section 1.01. The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 3 of the Bank dated February 15, 1961,² with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications thereof (said Loan Regulations No. 3 as so modified being hereinafter called the Loan Regulations) :

- (a) The second sentence of Section 3.02 of the Loan Regulations shall apply only to withdrawals pursuant to subsection (a) of Section 2.03 of this Agreement.
- (b) Section 4.01 of the Loan Regulations is deleted.

Section 1.02. Unless the context otherwise requires, the term "Empresa" wherever used in this Agreement means Empresa de Riego de Rivas, an agency of the Borrower established by, and operating under, Decree No. 635 of the Borrower, published in *La Gaceta* of January 2, 1962, or any successor to the Empresa.

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 two million six hundred thousand dollars (\$2,600,000).

¹ Came into force on 3 October 1963, upon notification by the Bank to the Government of Nicaragua.

² See p. 36 of this volume.

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. Except as the Bank shall otherwise agree, the Borrower shall be entitled, subject to the provisions of this Agreement and the Loan Regulations, to withdraw from the Loan Account :

- (a) such amounts as shall have been expended (other than for local currency expenditures) for the reasonable cost of goods to be financed under this Agreement and, if the Bank shall so agree, such amounts as shall be required by the Borrower to meet payments for such goods ; and
- (b) the equivalent of a percentage or percentages to be established from time to time by agreement between the Borrower and the Bank of such amounts as shall have been expended for the reasonable cost of works required for carrying out Part A (iii), (iv) and (v), and Part D of the Project described in Schedule 2¹ to this Agreement and not included in (a) above, such percentage or percentages to represent the foreign exchange component of such cost ;

provided, however, that no withdrawals shall be made on account of : (i) expenditures prior to the date of this Agreement ; or (ii) expenditures made in the territories of any country (except Switzerland) which is not a member of the Bank or for goods produced in (including services supplied from) such territories.

Section 2.04. Withdrawals from the Loan Account pursuant to subsection (b) of Section 2.03 of this Agreement shall be in dollars or such other currency or currencies as the Bank shall from time to time reasonably select.

Section 2.05. 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 2.06. The Borrower shall pay interest at the rate of five and one-half per cent ($5\frac{1}{2}$ %) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

Section 2.07. 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.

¹ See p. 34 of this volume.

Section 2.08. Interest and other charges shall be payable semi-annually on March 15 and September 15 in each year.

Section 2.09. 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 2 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. 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 Crédito Público* 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 operated with due diligence and efficiency and in conformity with sound engineering, agricultural and financial practices.

(b) The Borrower shall at all times make available promptly as needed all sums which shall be required for the carrying out and operation of the Project.

¹ See p. 32 of this volume.

(c) The Borrower shall make available or cause to be made available to farmers in the Project area credit on reasonable terms as needed to enable them to develop their farms under irrigation.

(d) The Borrower shall employ or cause to be employed a suitably qualified consultant, acceptable to the Bank and on terms and conditions satisfactory to the Bank, for final design and supervision of construction of Part A of the Project.

(e) Upon request from time to time by the Bank, the Borrower shall promptly furnish or cause to be furnished 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 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) to show the results achieved by irrigation of the land included in the Project 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, the results achieved by irrigation of the land included in the Project, 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.

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

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 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 Nicaragua or any other institution performing the functions of a central bank.

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 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 5.05. This 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 5.06. 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 and to delivery thereof to the site of the Project.

Section 5.08. The Borrower shall supply or make arrangements for the supply of electric power as and when required for the Project upon terms and conditions satisfactory to the Bank.

Section 5.09. (a) The Borrower covenants that the land included in the Project and the water made available therefor will be to the maximum extent practicable fully, effectively and promptly utilized for agricultural purposes.

(b) The Borrower shall cause all works and facilities included in the Project to be adequately maintained and repaired in accordance with sound engineering and agricultural practices and standards and shall cause all works and facilities not included in the Project but necessary to the proper and efficient operation thereof to be operated and adequately maintained and repaired in accordance with such practices and standards.

(c) The Borrower shall exercise every right and recourse available to it to cause to be taken all such action as shall be required to assure that no use, other than domestic uses, will reduce the amounts of water available for irrigation purposes on the Project below the amounts needed therefor.

Section 5.10. The Borrower shall, by imposing charges on land benefiting from the Project within the area of the Project, make suitable provision for the recovery, on reasonable terms and conditions, of the moneys invested by the Borrower in Part A of the Project together with reasonable interest thereon.

Section 5.11. The Borrower undertakes that, for the purpose of carrying out and operating the Project, the Borrower will cause the Empresa at all times to : (a) function under a charter and regulations in form and substance satisfactory to the Bank and (b) have such powers, management and resources as are necessary for the diligent and efficient carrying out and operation of the Project, and for the most effective utilization of the land included therein and the water made available therefor.

Section 5.12. The Borrower shall : (a) provide promptly as needed all sums which shall be required for the effective operation of the demonstration and training farm to be established under the Project, and (b) employ a suitably qualified and experienced agricultural expert as manager for the farm.

Section 5.13. The Borrower shall cause the Empresa to have its accounts certified annually by an independent accountant or accounting firm acceptable to the Bank and shall promptly after their preparation and not later than four months after the close of the Empresa's fiscal year transmit or cause to be transmitted to the Bank certified copies of such accounts and a signed copy of the accountant's or accounting firm's report.

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

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 (b) of the Loan Regulations :

- (a) The Board of the Empresa, including a suitably qualified and experienced *Presidente-Gerente*, has been appointed, and the Empresa has commenced operations in accordance with the requirements of Section 5.11 of this Agreement ;
- (b) the consultant referred to in Section 5.01 (d) has been appointed ; and
- (c) arrangements satisfactory to the Bank have been made for the financing of local currency costs of the Project.

Section 7.02. A date 60 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 March 31, 1966, 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 :

República de Nicaragua
Ministerio de Hacienda y Crédito Público
Palacio Nacional
Managua, Nicaragua

Alternative address for cablegrams and radiograms :

Hacienda
Managua
Nicaragua

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 *Ministro de Hacienda y Crédito Público* 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 Nicaragua :

By Guillermo SEVILLA SACASA
Authorized Representative

International Bank for Reconstruction and Development :

By J. Burke KNAPP
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>
March 15, 1967	30,000	March 15, 1978	60,000
September 15, 1967	35,000	September 15, 1978	60,000
March 15, 1968	35,000	March 15, 1979	60,000
September 15, 1968	35,000	September 15, 1979	65,000
March 15, 1969	35,000	March 15, 1980	65,000
September 15, 1969	35,000	September 15, 1980	65,000
March 15, 1970	40,000	March 15, 1981	70,000
September 15, 1970	40,000	September 15, 1981	70,000
March 15, 1971	40,000	March 15, 1982	75,000
September 15, 1971	40,000	September 15, 1982	75,000
March 15, 1972	40,000	March 15, 1983	75,000
September 15, 1972	45,000	September 15, 1983	80,000
March 15, 1973	45,000	March 15, 1984	80,000
September 15, 1973	45,000	September 15, 1984	85,000
March 15, 1974	45,000	March 15, 1985	85,000
September 15, 1974	50,000	September 15, 1985	90,000
March 15, 1975	50,000	March 15, 1986	90,000
September 15, 1975	50,000	September 15, 1986	95,000
March 15, 1976	55,000	March 15, 1987	95,000
September 15, 1976	55,000	September 15, 1987	100,000
March 15, 1977	55,000	March 15, 1988	105,000
September 15, 1977	55,000		

* 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	½ of 1%
More than three years but not more than six years before maturity	1%
More than six years but not more than eleven years before maturity	1 ½%
More than eleven years but not more than sixteen years before maturity	2 ½%
More than sixteen years but not more than twenty-one years before maturity	3 ½%
More than twenty-one years but not more than twenty-three years before maturity	4 ½%
More than twenty-three years before maturity	5 ½%

SCHEDULE 2

DESCRIPTION OF PROJECT

1. The Project is the development of irrigation in an area of about 9,000 hectares in the Department of Rivas. Water will be pumped from Lake Nicaragua into a reservoir about 23 meters above mean lake level to command about 4,800 hectares for irrigation. A second pumping station will lift water from this level to a second reservoir about 48 meters above mean lake level for irrigation of an area of about 4,200 hectares.

2. The Project includes :

Part A

- (i) An intake canal and a conveyance canal with a total length of about 4.2 kilometers ;
- (ii) two pumping stations equipped with a total of ten pumps, each of such pumps to have a capacity of about 1.5 cubic meters per second ;
- (iii) two reservoirs with a capacity for overnight storage ;
- (iv) about 32 kilometers of main distribution canals and 55 kilometers of lateral distributaries, with lining where needed ;
- (v) interceptor drains to convey water to natural drain lines ;
- (vi) on-farm distribution systems ; and
- (vii) assistance to farmers in leveling of land necessary to permit efficient irrigation of the area.

Part B

- (i) The acquisition of about 40 hectares of land representative of and within the Project area, and the establishment and equipment of an experiment and demonstration farm thereon ;
- (ii) the development and demonstration, on the farm to be established under B (i) above, of irrigation and agricultural practices suited to local conditions ;
- (iii) the training of extension workers for the Project area ; and
- (iv) the provision of extension services to farmers in the Project area.

Part C

About 65 kilometers of 69 KV power transmission line from Granada to the Project area, together with adequate substation capacity and ancillary installations.

Part D

The improvement of existing roads and the construction of new roads, with a total length of about 90 kilometers, in order to provide all-weather access to the farms in the Project area.

3. Parts A and B of the Project will be carried out by the Empresa. Part C will be carried out by Empresa Nacional de Luz y Fuerza. The roads in Part D above will be designed and improved or constructed by the Highway Department of the Ministerio de Fomento y Obras Públicas of the Borrower. It is expected that the works included in the Project will be completed in a period of approximately three years.

RELATED LETTER

EMBAJADA DE NICARAGUA
WASHINGTON 9, D.C.

March 1, 1963

International Bank for Reconstruction and Development
Washington 25, D.C.

Gentlemen :

Re : *Management*

This is with reference to Sections 5.11, 5.12 and 7.01 (a) of the Loan Agreement¹ between us and will confirm to you that the *Presidente-Gerente* of the Empresa and the manager of the demonstration and training farm shall be acceptable to the Bank.

Very truly yours,

Republic of Nicaragua :
By Guillermo SEVILLA SACASA
Authorized Representative

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.*]

¹ See p. 16 of this volume.