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No. 7512

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

Loan Agreement—*Second Highway Project* (with related letter and annexed Loan Regulations No. 3). Signed at Washington, on 28 August 1964

Official text of Agreement: English.

Official text of letter: Spanish.

Registered by the International Bank for Reconstruction and Development on 7 December 1964.

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

Contrat d'emprunt — *Deuxième projet de construction de routes* (avec lettre y relative et, en annexe, le Règlement n° 3 sur les emprunts). Signé à Washington, le 28 août 1964

Texte officiel de l'Accord: anglais.

Texte officiel de la lettre: espagnol.

Enregistré par la Banque internationale pour la reconstruction et le développement le 7 décembre 1964.

No. 7512. LOAN AGREEMENT¹ (*SECOND HIGHWAY PROJECT*) BETWEEN THE REPUBLIC OF VENEZUELA AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 28 AUGUST 1964

AGREEMENT, dated August 28, 1964, between REPUBLIC OF VENEZUELA (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

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, 1961,² 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) : Section 4.01 and the second sentence of Section 3.02 of Loan Regulations are deleted.~~

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 thirty million dollars (\$30,000,000).

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 The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in this Agreement and the Loan Regulations.

Section 2.03. Except as the Bank and the Borrower 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 :

¹ Came into force on 30 October 1964, upon notification by the Bank to the Government of Venezuela.

² See p. 107 of this volume.

- (a) 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 paid for the reasonable cost of goods required for carrying out Parts A (1), (2), (3) and (4) of Schedule 2¹ to this Agreement, such percentage or percentages to represent the foreign exchange component of such costs;
- (b) such amounts as shall have been expended (other than for local currency expenditures) for the reasonable cost of the engineering services to be financed under this Agreement; and
- (c) if the Bank shall so agree, such amounts as shall be required by the Borrower to meet payments under each of the foregoing paragraphs;
- provided, however, that no withdrawals shall be made on account of : (i) payments made prior to January 1, 1963; or (ii) expenditures made in the territories of any country (except Switzerland) which is not member of the Bank or for goods produced in (including services supplied from) such territories.

As used in this Section, the term "local currency expenditures" means expenditures in the currency of the Borrower or for goods produced in (including services supplied from) the territories of the Borrower.

Section 2.04. Withdrawals from the Loan Account 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-eighths of one per cent ($\frac{3}{8}$ 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 commitment outstanding from time to time.

Section 2.08. Interest and other charges shall be payable semi-annually on February 1 and August 1 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 1² to this Agreement.

¹ See p. 105 of this volume.

² See p. 104 of this volume.

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 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 Minister of 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 with due diligence and efficiency and in conformity with sound engineering and financial practices.

(b) In the carrying out of the Project, the Borrower shall 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, construction of 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 highways and expressways 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) 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 at all times make available promptly as needed all sums and other resources which shall be required for the carrying out of 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, the Borrower and the Bank shall from time to time, at the request of either party, exchange views through their representatives with regard to the performance by the Borrower of its obligations under the Loan Agreement, the administration, operations and financial condition with respect to the Project of the agency or agencies of the Borrower responsible for the carrying out of the Project or any part thereof, and other matters relating to the purposes of the Loan.

(b) The Borrower 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 goods financed out of such proceeds, the Project, and the administration, operations and financial condition with respect to the Project of the agency or agencies of the Borrower responsible for the carrying out of the Project or any part thereof. 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.

(c) 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, the maintenance of the service thereof or the performance by the Borrower of its obligations under the Loan Agreement.

(d) 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. 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 with respect to the Project of the agency or agencies of the Borrower responsible for the carrying out of the Project or any part thereof and shall enable the Bank's representatives to inspect the Project, the goods financed out of the proceeds of the Loan, and any other relevant records and documents.

Section 5.04. The Borrower shall cause the works included in the Project to be adequately maintained and repaired in accordance with sound administrative and highway engineering practices.

Section 5.05. 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 5.06. 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.

Section 5.07. (a) 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 by the Borrower; 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.

(b) The Loan Agreement and the Bonds shall be free from any taxes that shall be imposed by the Borrower 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.

(c) It is the intention of the parties that the provisions of paragraphs (a) and (b) of this Section shall be applicable also to any such taxes which may be imposed by any other taxing authority in the territories of the Borrower. To that end, the Borrower covenants to hold harmless the Bank and any holder of any Bond (other than a holder of any Bond other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Borrower) from and against liability for any such taxes.

Section 5.08. 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.

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) or for the purposes of paragraph (h) 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.

Section 6.02. The following event is specified for the purposes of Section 5.02 (h) of the Loan Regulations : The Borrower shall, without the agreement of the Bank, have modified or terminated or failed to enforce Clause Eight of the Exchange Agreement between the Borrower and the Central Bank of Venezuela as published in the Official Gazette of the Borrower No. 892 of January 18, 1964.

Article VII

MISCELLANEOUS

Section 7.01. The Closing Date shall be October 1, 1968, or such other date as shall be agreed by the Bank and the Borrower as the Closing Date.

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

For the Borrower :

Ministro de Hacienda
Ministerio de Hacienda
Caracas, Venezuela

Alternative address for cablegrams and radiograms :

Minhacienda
Caracas

For the Bank :

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Alternative address for cablegrams and radiograms :

Intbafrad
Washington, D.C.

Section 7.03. The Minister of Finance of the Borrower is designated for the purposes of Section 8.03 of the Loan Regulations.

Section 7.04. A date sixty 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 Venezuela :
By Carlos PÉREZ DE LA COVA
Authorized Representative

International Bank for Reconstruction and Development :
By Orvis A. SCHMIDT
Authorized Representative

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>
February 1, 1969	\$570,000	August 1, 1977	\$905,000
August 1, 1969	585,000	February 1, 1978	930,000
February 1, 1970	600,000	August 1, 1978	955,000
August 1, 1970	620,000	February 1, 1979	980,000
February 1, 1971	635,000	August 1, 1979	1,005,000
August 1, 1971	655,000	February 1, 1980	1,035,000
February 1, 1972	670,000	August 1, 1980	1,065,000
August 1, 1972	690,000	February 1, 1981	1,095,000
February 1, 1973	710,000	August 1, 1981	1,125,000
August 1, 1973	725,000	February 1, 1982	1,155,000
February 1, 1974	745,000	August 1, 1982	1,185,000
August 1, 1974	770,000	February 1, 1983	1,220,000
February 1, 1975	790,000	August 1, 1983	1,250,000
August 1, 1975	810,000	February 1, 1984	1,285,000
February 1, 1976	835,000	August 1, 1984	1,320,000
August 1, 1976	855,000	February 1, 1985	1,345,000
February 1, 1977	880,000		

* 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 ½%
More than six years but not more than eleven years before maturity	2 ½%
More than eleven years but not more than sixteen years before maturity	3 ½%
More than sixteen years but not more than eighteen years before maturity	4 ½%
More than eighteen years before maturity	5 ½%

SCHEDULE 2

DESCRIPTION OF PROJECT

The Project consists of :

Part A. *Construction and Improvement Works*

(1) The completion of construction of a highway between Barinas and La Pedrera (about 205 km).

(2) The improvement and partial reconstruction of the existing highway between La Pedrera and San Cristobal (about 103 km).

(3) The completion of construction of an urban expressway in Caracas between the expressway interchange, "La Arana", and the Puente Mohedano (about 3.8 km).

(4) The construction of an expressway between the expressway interchange, "La Arana", and the Autopista del Valle (about 4.4 km).

Part B. *Engineering Services*

Engineering services in connection with design, documentation, construction and supervision of the Project.

The Project is expected to be completed by July 1, 1968.

honour to inform you that in accordance with articles 89 and 90 of the Central Bank Act, an Agreement is at present in force between the Government of Venezuela and the Central Bank of Venezuela. It was published in special issue No. 898 of the *Gaceta Oficial* of 7 February 1964. Article 8 of the Agreement provides as follows :

“ The Central Bank of Venezuela shall not file a guarantee on the basis of its assets in gold or foreign exchange, or in claims against gold or foreign exchange, in order to meet its liabilities, except in the case of guarantees filed in the normal course of banking operations in order to meet liabilities of not more than one year's maturity. ”

The Central Bank of Venezuela cannot therefore contract any debt which violates the terms of article 8 as quoted above.

Accept, Sirs, etc.

Andrés GERMÁN OTERO
Minister of Finance

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.*]
