

No. 7758

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

**Loan Agreement—*Second Highway Project* (with annexed
Loan Regulations No. 3). Signed at Washington, on
26 May 1964**

Official text: English.

*Registered by the International Bank for Reconstruction and Development on
10 May 1965.*

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

**Contrat d'emprunt — *Deuxième projet relatif au réseau
routier* (avec, en annexe, le Règlement n° 3 sur les
emprunts). Signé à Washington, le 26 mai 1964**

Texte officiel anglais.

*Enregistré par la Banque internationale pour la reconstruction et le développement
le 10 mai 1965.*

No. 7758. LOAN AGREEMENT¹ (*SECOND HIGHWAY PROJECT*) BETWEEN THE REPUBLIC OF ECUADOR AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 26 MAY 1964

AGREEMENT, dated May 26, 1964, between REPUBLIC OF ECUADOR (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS (A) Prior to the date of this Agreement, the Borrower has obtained from the Bank and other lenders financial assistance for highway construction, betterment and maintenance as follows :

(i) By Agreement dated November 6, 1959 hereinafter called the DLF Loan Agreement), the Development Loan Fund (hereinafter called the DLF), an agency of the United States of America, has agreed to make a loan (hereinafter called the DLF Loan) to the Borrower in an amount in various currencies equivalent to \$5,300,000, on the terms and conditions set forth in such DLF Loan Agreement;

(ii) By Agreement dated September 20, 1957² (hereinafter called the First Bank Loan Agreement), the Bank has agreed to make a loan (hereinafter called the First Bank Loan) to the Borrower in an amount in various currencies equivalent to \$14,500,000, on the terms and conditions set forth in such First Bank Loan Agreement; and

(iii) By Agreement dated September 1, 1963 (hereinafter called the First AID Loan Agreement), the Agency for International Development (hereinafter called the AID), an agency of the United States of America, has agreed to make a loan (hereinafter called the First AID Loan) to the Borrower in an amount in various currencies equivalent to \$2,700,000, on the terms and conditions set forth in such First AID Loan Agreement;

WHEREAS (B) The Borrower is engaged in the carrying out of a five-year highway development program (hereinafter called the Highway Development Program) for the construction, reconstruction, betterment and maintenance of various highways of the national highway system of the Borrower, such Highway

¹ Came into force on 24 December 1964, upon notification by the Bank to the Government of Ecuador.

² United Nations, *Treaty Series*, Vol. 289, p. 237.

Development Program forming part of a ten-year transportation investment program (hereinafter called the Transportation Investment Program) within the *Plan General de Desarrollo Económico y Social* of the Borrower for the development of the general transportation sector in the territories of the Borrower;

WHEREAS (C) The Borrower has taken measures intended to increase substantially the resources to be made available for the carrying out of the Highway Development Program and has requested the Bank and certain lenders in addition to the Bank to assist in the financing of the Highway Development Program as follows :

(i) By Agreement of even date herewith (hereinafter called the Second AID Loan Agreement), the AID has agreed to make a loan (hereinafter called the Second AID Loan) to the Borrower in an amount in various currencies equivalent to \$13,300,000 on the terms and conditions set forth in such Second AID Loan Agreement;

(ii) By Agreement of even date herewith (hereinafter called the IADB Loan Agreement), the Inter-American Development Bank (hereinafter called the IADB) has agreed to make a loan (hereinafter called the IADB Loan) to the Borrower in an amount in various currencies equivalent to \$6,000,000 on the terms and conditions set forth in such IADB Loan Agreement; and

(iii) By Agreement of even date herewith (hereinafter called the Credit Agreement), the International Development Association (hereinafter called the Association) has agreed to make a credit (hereinafter called the Association Credit) to the Borrower in an amount in various currencies equivalent to \$8,000,000 on the terms and conditions set forth in such Credit Agreement;¹

WHEREAS (D) The Bank has agreed to make a loan to the Borrower in an amount in various currencies equivalent to nine million dollars (\$9,000,000) on the terms and conditions hereinafter set forth, but only on condition that the Banco Central del Ecuador accept its obligations under Section 5.04 of this Agreement; and

WHEREAS (E) The Banco Central del Ecuador, in consideration of the Bank's entering into this Agreement with the Borrower, has agreed to accept such obligations of Banco Central del Ecuador and to evidence its acceptance thereof by causing this Agreement to be signed by its duly authorized representative;

NOW THEREFORE the parties hereto hereby agree as follows :

¹ See p. 93 of this volume.

Article I

LOAN REGULATIONS; SPECIAL DEFINITIONS

Section 1.01. The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 3 of the Bank dated February 15, 1961,¹ subject, however, to the modifications thereof set forth in Schedule 3¹ to this Agreement (said Loan Regulations No. 3 as so modified being hereinafter called the Loan Regulations) with the same force and effect as if they were fully set forth herein.

Section 1.02. Except where the context otherwise requires, the following terms shall have the following meanings wherever used in this Agreement:

(a) The term "Fondo Nacional de Carreteras" shall mean the fund created by Decree No. 530 of the Borrower published in the *Registro Oficial* No. 208 of March 18, 1964;

(b) The term "highway debt of the Borrower" shall mean collectively (i) the debts incurred or to be incurred by the Borrower under this Agreement, the First Bank Loan Agreement, the DLF Loan Agreement, the First AID Loan Agreement, the Second AID Loan Agreement, the IADB Loan Agreement and the Credit Agreement, and (ii) all other debts incurred by the Borrower and specified in Article 5 of the Decree No. 530 of the Borrower published in the *Registro Oficial* No. 208 of March 18, 1964;

(c) The term "sucres" shall mean the currency of the Borrower.

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 nine million dollars (\$9,000,000).

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 this Loan Agreement, and subject to such other conditions as may be agreed between the Borrower and the Bank; provided, however, that, except as shall be otherwise agreed between the Borrower and the Bank,

¹ See p. 144 of this volume.

(a) no withdrawals shall be made on account of expenditures prior to such date or dates as shall be agreed upon between the Borrower and the Bank,¹ and

(b) no withdrawals shall be made in respect of expenditures relating to Parts E and F of the Project described in Schedule 2 to this Agreement until the conditions set forth in paragraph (b) of Section 2.03 of the Credit Agreement shall have been fulfilled.

Section 2.03. Except as the Borrower and the Bank shall otherwise agree, payments by the Bank of amounts which the Borrower is entitled to withdraw from the Loan Account shall be made for the account of the Borrower to Banco Central del Ecuador for crediting the equivalent in sucres of such amounts to the Project Revolving Fund described in Section 5.12 of this Agreement.

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 withdrawn from time to time from the Loan Account.

Section 2.05. 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 2.06. 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 2.07. Interest and other charges shall be payable semi-annually on February 1 and August 1 in each year.

Section 2.08. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 1 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 Parts A, B, C, E and F of the Project described in Schedule 2² to this Agreement. The specific goods to be financed out of the proceeds of the Loan and the methods

¹ The following information was provided by the International Bank for Reconstruction and Development: "By supplemental letter dated May 26, 1964, the Borrower and the Bank have agreed upon the following dates: (i) October 1, 1962 with respect to expenditures for Parts A and C of the Project; (ii) May 1, 1964 with respect to expenditures for Part B of the Project; and (iii) Effective Date with respect to expenditures for Parts E and F of the Project."

² See p. 142 of this volume.

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 *Ministro de Finanzas* 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. To that end, the Borrower shall employ engineering consultants acceptable to the Bank upon terms and conditions satisfactory to the Bank, including terms and conditions under which the execution of the Project shall be under the supervision of such consultants.

(b) Except as the Bank shall otherwise agree, all highways included in Parts A and D of the Project the construction or reconstruction of which shall be financed in whole or in part out of the proceeds of the Loan shall be constructed or reconstructed by contractors satisfactory to the Bank employed under contracts satisfactory to the Bank.

(c) The general design standards and the types of pavement to be used for the highways included in Parts A and D of the Project shall be determined by agreement between the Borrower and the Bank.

(d) The Borrower shall cause to be furnished to the Bank, promptly upon their preparation, the detailed program for Part B of the Project and the work program, plans and specifications for Parts A and D of the Project, and any material modifications subsequently made therein, in such detail as the Bank shall from time to time request.

(e) 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, and to record the progress of the Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the financial condition and operations of the agency or agencies of the Borrower responsible for the execution 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, and the financial condition and operations of the agency or agencies of the Borrower responsible for the execution or operation of the Project or any part thereof.

(f) Without limitation or restriction upon the foregoing provisions of this Section, the Borrower covenants that all designs, specifications and contract documents to be used in connection with carrying out the Project shall either be prepared by the engineering consultants referred to in paragraph (a) of this Section or be satisfactory to 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. The Borrower and the Bank shall from time to time exchange views through their representatives with regard to the carrying out of the Transportation Investment Program, to general matters relating to the national highway system of the Borrower, to the financing and carrying out of the Highway Development Program and to administrative matters relating to the carrying out of the Project. To that end, the Borrower shall appoint representatives of the Ministerio de Obras Públicas y Comunicaciones, of the Ministerio

de Finanzas, of the Junta Nacional de Planificación and of Banco Central del Ecuador to serve on a Committee (hereinafter called the Transportation Coordinating Committee) to be chaired by the *Ministro de Obras Públicas y Comunicaciones* or his representative, and on which the Bank, the Association, the AID and the IADB shall also be represented. Until the Project shall have been carried out, such Transportation Coordinating Committee shall meet as reasonably required by any one of its members but not less than once a year.

Section 5.04. It is the mutual intention of the Borrower and the Bank that no external debt shall enjoy any priority over the Loan by way of a lien hereafter created on governmental assets (including any priority in the allocation or realization of foreign exchange). To that end, the Borrower and Banco Central del Ecuador undertake that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Borrower or of the Banco Central del Ecuador or any other institution acting as the Central Bank 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. Within the limits of its constitutional powers, the Borrower will make the foregoing undertaking effective with respect to liens on assets of any of the Borrower's agencies including agencies granted autonomy by the Constitution of Ecuador (other than Banco Central del Ecuador), any other institution acting as the Central Bank of the Borrower, or any of the Borrower's political subdivisions or of any agency of any such political subdivisions, and to the extent that the Borrower is unable within the limits of its constitutional powers to make such undertaking effective, the Borrower will give to the Bank an equivalent lien satisfactory to the Bank. 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; (iii) any lien arising in the ordinary course of banking transactions to secure a debt maturing not more than one year after the date on which it is originally incurred; or (iv) any lien solely upon revenues or receipts in currency of the Borrower which is given by a political subdivision (*consejo provincial* or *municipalidad*) or by an agency of a political subdivision of the Borrower under arrangements containing no provisions which would result in priority in the allocation or realization of foreign exchange.

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 cause all highways in its national highway system to be adequately maintained and shall cause all necessary repairs thereof to be made, all in accordance with sound engineering practices;

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

(c) The Borrower shall take all such action, satisfactory to the Bank, as shall be necessary to assure that the dimensions and axle-loads of vehicles using its national highway system shall be kept within limits substantially in accordance with standards mutually satisfactory to the Borrower and the Bank.

Section 5.10. The Borrower shall maintain the Fondo Nacional de Carreteras for the purpose of assisting in the financing of projects (including the Project) for the construction, reconstruction, betterment or maintenance of highways in the territories of the Borrower.

Section 5.11. The Borrower shall transfer or cause to be transferred to the Fondo Nacional de Carreteras the proceeds of such taxes and other revenues which shall be available to such Fondo Nacional de Carreteras and any other sum as shall be necessary to enable such Fondo Nacional de Carreteras (i) to make the transfers specified in Section 5.13 of this Agreement, and (ii) to provide such amounts in the currency of the Borrower, as shall be necessary to enable

the Borrower promptly to make payments on account of the principal of, interest and other charges on, the highway debt of the Borrower.

Section 5.12. The Borrower shall create a Fund (hereinafter called the Project Revolving Fund) to be used exclusively to make payments (i) for the cost of goods required to carry out the Project and (ii) for the cost of goods required to carry out the construction, reconstruction or betterment of the highways described in Section 5.16 of this Agreement. The Borrower shall maintain such Project Revolving Fund until all such payments shall have been made.

Section 5.13. (a) The Borrower shall transfer or cause to be transferred from the Fondo Nacional de Carreteras to the Project Revolving Fund all amounts in the currency of the Borrower as shall be from time to time required to permit all payments specified in Section 5.12 of this Agreement to be made promptly out of the Project Revolving Fund;

(b) Without restriction or limitation upon the provisions of the foregoing paragraph, the Borrower shall transfer or cause to be transferred from the Fondo Nacional de Carreteras or otherwise to the Project Revolving Fund: (i) on a date not later than the first day of the calendar month immediately following the Effective Date the amount of 20 million sucres; and (ii) on the first day of each calendar month thereafter the amount of 10 million sucres or such other amount as shall be from time to time agreed between the Borrower and the Bank.

Section 5.14. (a) Without limitation or restriction upon any other provisions of this Agreement, the Borrower shall make such arrangements with the Banco Central del Ecuador as shall be necessary to (i) determine the conditions under which foreign currency or currencies can be purchased by the Borrower to enable it to make the payments required to be made by the Borrower in such foreign currency or currencies, and (ii) otherwise effectuate the provisions of Sections 5.11, 5.12 and 5.13 of this Agreement.

(b) Such arrangements when approved by the Bank, shall not be modified without the consent of the Bank. The Borrower will not, without the consent of the Bank, take or permit to be taken any action which interferes with the implementation of such arrangements.

Section 5.15. (a) The Borrower and the Bank are agreed that the Project shall enjoy the highest priority and that, until the Project shall have been carried out, the Borrower shall undertake or cause to be undertaken or permit to be undertaken in its territories any major project for the construction, reconstruction, betterment or maintenance of any highway (including bridges) not included in the Project only after it has been determined that the carrying out of such major project will not adversely affect the ability of the Borrower to fulfil any of its obligations under this Agreement. To that end, the Borrower shall

notify the Bank before any such major project shall be undertaken in its territories, and shall furnish to the Bank all such information as the Bank shall reasonably request with respect to such major project.

(b) For the purposes of this Section, a major project shall be deemed to be one the aggregate cost of which shall be more than 30 million sucres but shall not include the construction, reconstruction or improvement of the highways described in Section 5.16 of this Agreement.

Section 5.16. The Borrower shall cause the highways from Quito via Aloag to Quevedo, from Quinde to Esmeraldas and from Babahoyo to Duran to be constructed, reconstructed or improved with due diligence and efficiency.

Section 5.17. The Borrower shall make or maintain with the Comité de Vialidad de la Provincia del Guayas such arrangements satisfactory to the Bank as shall be necessary for the carrying out of the Borrower's obligations under this Agreement in respect of such highways as may be within the jurisdiction of said Comité.

Section 5.18. Except as the Borrower and the Bank shall otherwise agree, if the Borrower shall repay in advance of maturity any part of its indebtedness under any one of the following agreements, namely the Credit Agreement, the DLF Loan Agreement, the First AID Loan Agreement, the Second AID Loan Agreement or the IADB Loan Agreement, the Borrower shall simultaneously repay not less than a proportionate amount of this Loan and of the First Bank Loan, then outstanding. All the provisions of this Loan Agreement and of the First Bank Loan Agreement, as the case may be, relating to repayment in advance of maturity shall be applicable to any repayment by the Borrower in accordance with this Section.

Article VI

REMEDIES OF THE BANK

Section 6.01. (i) If any event specified in paragraph (c) of Section 6.02 of this Agreement shall occur, or (ii) if any event specified in paragraph (a) or (b) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of thirty days, or (iii) if any event specified in paragraph (c) of Section 5.02 of the Loan Regulations or in paragraphs (a) or (d) of Section 6.02 of this Agreement 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 additional events are specified for the purposes of paragraph (h) of Section 5.02 of the Loan Regulations :

(a) Subject to the provisions of paragraph (c) of this Section, the DLF Loan Agreement, the First AID Loan Agreement, the Second AID Loan Agreement, the IADB Loan Agreement or the Credit Agreement shall have been, in any material respect, amended, assigned, waived or terminated (otherwise than after full repayment at the agreed maturity or repayment made at the option of the Borrower prior to such maturity) without the agreement of the Bank;

(b) Any event shall have occurred which shall have operated to suspend the right of the Borrower to withdraw amounts under the DLF Loan Agreement, the First AID Loan Agreement, the Second AID Loan Agreement, the IADB Loan Agreement or the Credit Agreement;

(c) The DLF, the AID, the IADB or the Association respectively, shall, in accordance with the terms of the DLF Loan Agreement, the First AID Loan Agreement, the Second AID Loan Agreement, the IADB Loan Agreement or the Credit Agreement respectively, demand payment from the Borrower of moneys lent to the Borrower prior to the agreed maturity thereof; and

(d) The Decrees No. 529 or 530 of the Borrower, respectively published in the *Registro Oficial* No. 206 of March 16, 1964 and No. 208 of March 18, 1964, the arrangements referred to in paragraph (a) of Section 5.14, in Section 5.17 or in paragraph (f) of Section 7.01 of this Agreement, shall have been amended, suspended, terminated or repealed so as to affect adversely the ability of the Borrower to carry out the covenants and agreements set forth in this Agreement.

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 terms and conditions of the First AID Loan Agreement, the Second AID Loan Agreement and of the IADB Loan Agreement shall be satisfactory to the Bank and the conditions precedent, if any, to initial disbursement under such Agreements shall have been fulfilled;

(b) The Credit Agreement shall have become effective in accordance with its terms;

(c) The Borrower shall have retained engineering consultants pursuant to Section 5.01 (a) of this Agreement;

(d) The Borrower shall have furnished to the Bank evidence satisfactory to the Bank that the undertakings by Banco Central del Ecuador in Section 5.04 of this Agreement contained, are valid and binding obligations of Banco Central del Ecuador;

(e) The Borrower shall have furnished to the Bank evidence satisfactory to the Bank that after the date of this Agreement and prior to the Effective Date Banco Central del Ecuador shall have taken no action which would have constituted a violation of the provisions of Section 5.04 of this Agreement had it been effective on the date such action was taken;

(f) Arrangements, satisfactory to the Bank, shall have been made to create the Project Revolving Fund; and

(g) The arrangements provided for in paragraph (a) of Section 5.14 and in Section 5.17 of this Agreement shall have been duly and validly executed and shall have become effective in accordance with their respective terms.

Section 7.02. The following are specified as additional matters, within the meaning of Section 9.02 (c) of the Loan Regulations, to be included in the opinion or opinions to be furnished to the Bank :

(a) That the undertakings by Banco Central del Ecuador in Section 5.04 of the Loan Agreement contained, constitute valid and binding obligations of Banco Central del Ecuador in accordance with their terms;

(b) That (i) the arrangements provided for in paragraph (a) of Section 5.14, in Section 5.17 and in paragraph (f) of Section 7.01 of this Agreement shall have been duly and validly executed, (ii) all acts, consents and approvals necessary therefor have been duly and validly performed or given, and (iii) such arrangements shall have become effective in accordance with their respective terms.

Section 7.03. A date 90 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 January 31, 1969.

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

For the Borrower :

Republic of Ecuador
Ministerio de Obras Públicas y Comunicaciones
Calle Chile No. 1267
Quito, Ecuador

Alternative address for cablegrams and radiograms :

Minobras
Quito

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 8.03. The *Ministro de Finanzas* of the Borrower is designated for the purposes of Section 8.03 of the Loan Regulations.

IN WITNESS WHEREOF, the Borrower and the Bank, 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, and Banco Central del Ecuador, acting through its duly authorized representative, has evidenced its acceptance of its obligations under Section 5.04 of this Agreement.

Republic of Ecuador :

By S. D. MOROCHZ

By José A. CORREA

Authorized Representatives

International Bank for Reconstruction and Development :

By George D. WOODS

President

Banco Central del Ecuador :

By G. PEREZ CHIRIBOGA

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>
August 1, 1969	\$120,000	February 1, 1980	215,000
February 1, 1970	125,000	August 1, 1980	220,000
August 1, 1970	130,000	February 1, 1981	225,000
February 1, 1971	130,000	August 1, 1981	235,000
August 1, 1971	135,000	February 1, 1982	240,000
February 1, 1972	140,000	August 1, 1982	245,000
August 1, 1972	145,000	February 1, 1983	250,000
February 1, 1973	145,000	August 1, 1983	260,000
August 1, 1973	150,000	February 1, 1984	265,000
February 1, 1974	155,000	August 1, 1984	275,000
August 1, 1974	160,000	February 1, 1985	280,000
February 1, 1975	165,000	August 1, 1985	290,000
August 1, 1975	170,000	February 1, 1986	295,000
February 1, 1976	175,000	August 1, 1986	305,000
August 1, 1976	175,000	February 1, 1987	315,000
February 1, 1977	180,000	August 1, 1987	320,000
August 1, 1977	185,000	February 1, 1988	330,000
February 1, 1978	190,000	August 1, 1988	340,000
August 1, 1978	200,000	February 1, 1989	350,000
February 1, 1979	205,000	August 1, 1989	355,000
August 1, 1979	210,000		

* 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%
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	1½%
More than eleven years but not more than sixteen years before maturity	2½%
More than sixteen years but not more than twenty-one years before maturity	3½%
More than twenty-one years but not more than twenty-three years before maturity	4½%
More than twenty-three years before maturity	5½%

SCHEDULE 2

DESCRIPTION OF THE PROJECT

The Project consists of :

STAGE I

A. *Completion of Highways partly financed under First Bank Loan*

Completion of construction of the following paved all-weather highways :

- (i) from Duran to Cochancay, together with the branch from this road to Milagro (approximately 92 kilometers);
- (ii) from Chone, via San Antonio, to Bahia de Caraquez (approximately 48 kilometers); and
- (iii) from Chone to Santo Domingo (approximately 164 kilometers).

Such highways are presently under execution and this Part of the Project is scheduled for completion by the end of 1965.

B. *Highway Maintenance Program*

The execution of a five-year program for the maintenance of the highways of the national highway system of the Borrower which will be carried out by the Ministerio de Obras Publicas of the Borrower along the lines recommended by consulting engineers. The program includes (i) the strengthening of the national road maintenance organization of the Borrower, (ii) the completion of work shops, warehouses and other facilities in all maintenance districts for the repair and maintenance of road maintenance equipment, (iii) the acquisition, reconditioning, operation and maintenance of road maintenance equipment, (iv) the institution and operation of a comprehensive training program for maintenance personnel, and (v) the provision of all labor, materials and supervision necessary for the execution of the program.

C. *Engineering Services*

Consulting engineering services in connection with (i) Parts A and B above and the construction, reconstruction or improvement of the highways described in Section 5.16 of this Agreement, and (ii) studies, design and documentation concerning the highways included in Part D below.

STAGE II

D. *New Highway Construction*

The construction up to completion or reconstruction or improvement of the following paved all-weather trunk highways :

- (i) from Santo Domingo to Quinde (approximately 83 kilometers);
- (ii) from Quevedo to Babahoyo (approximately 139 kilometers);
- (iii) from Cajabamba via Bucay to Chilcales (approximately 149 kilometers);
- (iv) from Manuel J. Calle to Machala (approximately 131 kilometers).

Such highways are expected to be completed by the end of 1968.

E. *Engineering Services*

Consulting engineering services in connection with the supervision of the construction of the highways included in Part D of the Project above.

F. *Studies of other Highways*

Feasibility studies and final engineering of further highways to be selected by the Borrower in agreement with the Bank.

SCHEDULE 3

MODIFICATION OF LOAN REGULATIONS No. 3

For the purposes of this Agreement the provisions of Loan Regulations No. 3 of the Bank, dated February 15, 1961, shall be deemed to be modified as follows :

(a) By the deletion of paragraph (c) of Section 5.02 and the substitution thereof of a new paragraph (c) as follows :

“A default shall have occurred in the performance of any other covenant or agreement on the part of the Borrower under the Loan Agreement or the Bonds, or on the part of Banco Central del Ecuador under Section 5.04 of the Loan Agreement.”

(b) By the deletion of Section 4.06.

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.*]