

No. 7757

**INTERNATIONAL DEVELOPMENT ASSOCIATION
and
ECUADOR**

**Development Credit Agreement—*Second Highway Project*
(with related letter and annexed Development Credit
Regulations No. 1). Signed at Washington, on 26 May
1964**

Official text: English.

Registered by the International Development Association on 10 May 1965.

**ASSOCIATION INTERNATIONALE
DE DÉVELOPPEMENT
et
ÉQUATEUR**

**Contrat de crédit de développement — *Deuxième 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 26 mai 1964**

Texte officiel anglais.

Enregistré par l'Association internationale de développement le 10 mai 1965.

No. 7757. DEVELOPMENT CREDIT AGREEMENT¹ (*SECOND HIGHWAY PROJECT*) BETWEEN THE REPUBLIC OF ECUADOR AND THE INTERNATIONAL DEVELOPMENT ASSOCIATION. SIGNED AT WASHINGTON, ON 26 MAY 1964

AGREEMENT, dated May 26, 1964, between REPUBLIC OF ECUADOR (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS the Association has agreed, on the basis of the financing arrangements described in the Recitals to the agreement of even date herewith (hereinafter called the Second Bank Loan Agreement)² between the Borrower and the International Bank for Reconstruction and Development (hereinafter called the Bank), to make a credit to the Borrower in an amount in various currencies equivalent to eight million dollars (\$8,000,000) on the terms and conditions hereinafter set forth;

NOW THEREFORE the parties hereto hereby agree as follows :

Article I

CREDIT REGULATIONS; SPECIAL DEFINITIONS

Section 1.01. The parties to this Credit Agreement accept all the provisions of Development Credit Regulations No. 1 of the Association dated June 1, 1961,³ with the same force and effect as if they were fully set forth herein subject, however, to the modifications thereof set forth in Schedule 1⁴ to this Agreement (said Development Credit Regulations No. 1 as so modified being hereinafter called the Credit Regulations).

Section 1.02. Except where the context otherwise requires, the terms defined in the Second Bank Loan Agreement shall have the same meanings as in such Second Bank Loan Agreement wherever used in this Credit Agreement.

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

² See p. 113 of this volume.

³ See p. 110 of this volume.

⁴ See p. 106 of this volume.

Article II

THE CREDIT

Section 2.01. The Association agrees to make available to the Borrower, on the terms and conditions in this Credit 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 Credit 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 the equivalent of a percentage or percentages to be established from time to time by agreement between the Borrower and the Association¹ of such amounts as shall have been expended by the Borrower for the reasonable cost of goods to be financed out of the proceeds of the Credit; provided, however, that no withdrawals shall be made from the Credit Account :

(a) on account of expenditures incurred prior to the Effective Date, and

(b) until evidence satisfactory to the Association shall have been furnished to the Association that (i) the construction of the highways included in Part A of the Project and of the highway from Quito via Alog to Quevedo shall have been substantially completed, (ii) the Borrower shall have taken the measures necessary to implement a highway maintenance program satisfactory to the Association, (iii) the Borrower shall have taken all necessary action to implement within a period to be determined between the Borrower and the Association the measures referred to under paragraph (c) of Section 5.09 of the Second Bank Loan Agreement, and (iv) the conditions precedent, if any, to disbursements for Part D of the Project under the Second Bank Loan Agreement, the Second AID Loan Agreement and the IADB Loan Agreement shall have been fulfilled.

Section 2.04. Except as the Borrower and the Association shall otherwise agree, payments by the Association of amounts which the Borrower is entitled to withdraw from the Credit 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 the Second Bank Loan Agreement.

¹ The following information is provided by the International Development Association : " By supplemental letter dated May 26, 1964, the Borrower and the Association have agreed on a percentage of 33%."

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 Credit Regulations.

Section 2.06. Service charges shall be payable semi-annually on February 1 and August 1 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Credit in semi-annual instalments payable on each February 1 and August 1 commencing August 1, 1974 and ending February 1, 2014, each instalment to and including the instalment payable on February 1, 1984 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 Part D of the Project described in Schedule 2 to the Second Bank Loan 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. 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.

Article IV

PARTICULAR COVENANTS

Section 4.01. (a) Sections 5.01, 5.02, 5.03, 5.08, 5.09, 5.10, 5.11, 5.12, 5.13, 5.14, 5.15, 5.16 and 5.17 of the Second Bank Loan Agreement are hereby incorporated into this Credit Agreement with the same force and effect as if they were fully set forth herein; provided, however, that (i) all references to the Bank in such Sections or in any of them, except in the second sentence of Section 5.03, shall be deemed to be references to the Association, and (ii) all references in such Sections or in any of them to the Loan shall be deemed to be references to the Credit.

(b) So long as any part of the loan provided for under the Second Bank Loan Agreement or the Bonds executed and delivered pursuant to the provisions of Article IV of such Second Bank Loan Agreement shall remain outstanding and unpaid, all action taken, including approvals given, by the Bank pursuant to the Sections of the Second Bank Loan Agreement enumerated in the foregoing paragraph shall be deemed to be taken or given in the name and on behalf of both the Bank and the Association; and all information furnished by the Borrower to the Bank pursuant to the provisions of such Sections, shall be deemed to be furnished to both the Bank and the Association.

Section 4.02. The provisions of the Sections of the Second Bank Loan Agreement enumerated in paragraph (a) of Section 4.01 of this Agreement, except Section 5.02, and all obligations of the parties thereunder shall terminate on August 1, 1989 or on the date when the Second Bank Loan Agreement and all obligations of the parties thereunder shall terminate, whichever is the later.

Section 4.03. The principal of, and service charges on, the Credit 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 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 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.

Article V

REMEDIES OF THE ASSOCIATION

Section 5.01. (i) If any event specified in paragraph (c) of Section 5.02 of this Agreement shall occur, or (ii) if any event specified in paragraphs (a) or (c) of Section 5.02 of the Credit Regulations shall occur and shall continue for a period of thirty days, or (iii) if any event specified in paragraph (b) of Section 5.02 of the Credit Regulations or in paragraphs (a) or (d) of Section 5.02 of this Agreement 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.

Section 5.02. The following additional events are specified for the purposes of paragraph (j) of Section 5.02 of the Credit Regulations :

(a) Subject to the provisions of paragraph (c) of this Section, the First Bank Loan Agreement, the Second Bank Loan Agreement, the DLF Loan Agreement, the First AID Loan Agreement, the Second AID Loan Agreement or the IADB Loan 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 Association ;

(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 or the IADB Loan Agreement ;

(c) The Bank, the DLF, the AID or the IADB respectively, shall, in accordance with the terms of the agreements concerned, demand payment from the Borrower of moneys lent to the Borrower prior to the agreed maturity thereof ;

(d) A default shall have occurred in the performance of any other covenant or agreement on the part of the Borrower under the Second Bank Loan Agreement.

Article VI

EFFECTIVE DATE; TERMINATION

Section 6.01. The following event is specified as an additional condition to the effectiveness of this Agreement within the meaning of Section 8.01 (b) of the Credit Regulations, namely that the Second Bank Loan Agreement shall have become effective in accordance with its terms.

Section 6.02. A date 90 days after the date of this Agreement is hereby specified for the purposes of Section 8.04 of the Credit Regulations.

Article VII

MISCELLANEOUS

Section 7.01. The Closing Date shall be January 31, 1969, 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 Credit 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 Association :

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Alternative address for cablegrams and radiograms :

Indevas
Washington, D.C.

Section 7.03. The *Ministro de Finanzas* of the Borrower is designated for the purposes of Section 7.03 of the Credit 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 Ecuador :
By S. D. MOROCHZ
By José A. CORREA
Authorized Representatives

International Development Association :
By George D. WOODS
President

SCHEDULE 1

MODIFICATION OF CREDIT REGULATIONS No. 1

For the purposes of this Agreement, the provisions of Credit Regulations No. 1 of the Association, dated June 1, 1961, shall be deemed to be modified as follows :

(a) By the deletion of Section 3.01 and the substitution therefor of the following new Section :

“SECTION 3.01. *Currencies in which Cost of Goods is to be Paid and Proceeds of the Credit are to be withdrawn.* Except as the Borrower and the Association shall otherwise agree,

“(a) the cost of goods financed out of the proceeds of the Credit shall be paid in sucres, and

“(b) the proceeds of the Credit shall be withdrawn from the Credit Account in such currency or currencies as the Association shall from time to time reasonably select.”

(b) A new Section 3.04 is inserted after Section 3.03 as follows :

“SECTION 3.04. *Purchase of Currency of Withdrawal with Other Currency.* If withdrawal shall be made in any currency which the Association shall have purchased with another currency for the purpose of such withdrawal, the portion of the Credit so withdrawn shall be deemed to have been withdrawn from the Credit Account in such other currency for the purposes of Section 3.03.”

(c) Section 3.04 is renumbered as Section 3.05.

(d) By the deletion of Section 4.06.

(e) By the deletion of paragraph 9 of Section 9.01 and the substitution therefor of the following new paragraph :

“9. The term “Project” means the project or projects or program or programs for which the Credit is granted, as described in the Second Bank Loan Agreement and as the description thereof shall be amended from time to time by agreement between the Bank, the Association and the Borrower.”

LETTER RELATED TO THE DEVELOPMENT CREDIT AGREEMENT

EMBAJADA DEL ECUADOR¹
WASHINGTON

May 26, 1964

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433

Re : *Credit 51 EC (Second Highway Project)*
Currency of Repayment

Gentlemen :

We refer to the Credit Agreement (*Second Highway Project*) of even date² between us and to Section 3.02 of the Credit 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 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 Ecuador.

² See p. 94 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 Ecuador :
By S. D. MOROCHZ
José A. CORREA
Authorized Representatives

Confirmed :
International Development Association :

By Gerald ALTER

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.*]