

No. 9299

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
and
EL SALVADOR**

**Loan Agreement—*Third Highway Project (Supplementary)*
(with schedule and annexed Loan Regulations No. 3,
as amended). Signed at Washington, on 7 December 1967**

Official text: English.

*Registered by the International Bank for Reconstruction and Development on
18 November 1968.*

**BANQUE INTERNATIONALE POUR
LA RECONSTRUCTION ET LE DÉVELOPPEMENT
et
EL SALVADOR**

**Contrat d'emprunt — *Troisième projet (supplémentaire)*
relatif au réseau routier (avec annexe et, joint, le Règlement n° 3 sur les emprunts, tel que modifié). Signé à
Washington, le 7 décembre 1967**

Texte officiel anglais.

*Enregistré par la Banque internationale pour la reconstruction et le développement
le 18 novembre 1968.*

No. 9299. LOAN AGREEMENT¹ (*THIRD HIGHWAY PROJECT—SUPPLEMENTARY*) BETWEEN THE REPUBLIC OF EL SALVADOR AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 7 DECEMBER 1967

AGREEMENT, dated December 7, 1967, between REPUBLIC OF EL SALVADOR (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS by an agreement with the Borrower dated November 2, 1962,² (hereinafter called the Development Credit Agreement) the International Development Association has made available to the Borrower, on the terms and conditions set forth in said Development Credit Agreement, a development credit in an amount in various currencies equivalent to eight million dollars (\$8,000,000) for the purpose of assisting in the financing of a road construction and maintenance project which is being carried out by the Borrower; and

WHEREAS the Borrower has requested the Bank to provide additional financing for the same purpose;

NOW THEREFORE the parties hereto hereby agree as follows :

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 as amended February 9, 1967,³ 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) Section 4.01 is deleted.

(b) Paragraph 10 of Section 10.01 is deleted and the following paragraph is substituted therefor :

“10. The term Project means the project for which the Loan is granted, as described in the schedule (Description of the Project) to the Development

¹ Came into force on 1 July 1968, upon notification by the Bank to the Government of El Salvador.

² United Nations, *Treaty Series*, Vol. 468, p. 331.

³ See p. 280 of this volume.

Credit Agreement and as such description may be amended from time to time by agreement among the Borrower, the Association and the Bank.”

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in this Loan Agreement set forth or referred to an amount in various currencies equivalent to two million eight hundred thousand dollars (\$2,800,000).

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 Loan Agreement.

Section 2.03. (a) Except as the Borrower and the Bank shall otherwise agree, the Borrower shall be entitled, subject to the provisions of this Loan Agreement, to withdraw from the Loan Account the equivalent of a percentage or percentages to be established from time to time by agreement between the Borrower and the Bank of (i) such amounts as shall have been paid for the reasonable cost of construction contracts for Part A of the Project to be financed under this Loan Agreement; and (ii) if the Bank shall so agree, such amounts as shall be required to meet payments to be made for the reasonable cost of such contracts.

(b) Except as shall be otherwise agreed between the Borrower and the Bank, no withdrawals shall be made from the Loan Account (i) until the amount allocated for Part A of the Project in the Development Credit Agreement shall have been fully withdrawn and (ii) on account of expenditures in the territories of any country which is not a member of the Bank (other than Switzerland) or for goods produced in (including services supplied from) such territories.

Section 2.04. Withdrawals from the Loan Account shall be made in such 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 six per cent (6%) 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.

Section 2.08. Interest and other charges shall be payable semiannually on April 1 and October 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 the Schedule to this Agreement.

Article III

USE OF PROCEEDS OF THE LOAN

Section 3.01. Except as shall otherwise be agreed between the Borrower and the Bank, the Borrower shall cause the proceeds of the Loan to be applied exclusively to financing the cost of goods required to carry out Part A of the Project. 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* 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) Except as the Bank shall otherwise agree, in the carrying out of the Project the Borrower shall employ or cause to be employed engineering consultants acceptable to, and upon terms and conditions satisfactory to, the Borrower and the Bank.

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

(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 at all times make available by appropriation or otherwise, for disbursement promptly as they are needed, all sums which shall be required for the carrying out of the Project.

(g) The Borrower shall 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 of the agency or agencies of the Borrower responsible for the carrying out 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 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 Project, the goods and the operations and financial conditions of the agency or agencies of the Borrower responsible for the carrying out of the Project or any part thereof.

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.

(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 prompt-

ly 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 hereafter created 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 provision 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 Reserva de El Salvador or any other institution performing the functions of a central bank for the Borrower.

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. 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 5.06. 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 cause the roads in its highway system to be maintained at all times in accordance with sound engineering standards.

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

MISCELLANEOUS; TERMINATION

Section 7.01. The Closing Date shall be June 30, 1971, or such other date as may from time to time be agreed between the Borrower and the Bank.

Section 7.02. If this Loan Agreement shall not have come into force and effect by March 15, 1968, this Loan Agreement and all obligations of the parties hereunder shall terminate, unless the Bank, after consideration of the reasons for the delay establishes a later date for the purposes of this Section. The Bank shall promptly notify the Borrower of such date.

Section 7.03. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Borrower :

Ministro de Obras Públicas
Palacio Nacional
San Salvador, El Salvador
and
Ministro de Hacienda
3a Avenida Norte y 13a Calle Poniente
San Salvador, El Salvador

Alternative addresses for cablegrams and radiograms :

Ministro de Obras Públicas
San Salvador
and
Ministro de Hacienda
San Salvador

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 7.04. The *Ministro de Hacienda* 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 El Salvador :

By R. DE CLAIRMONT DUEÑAS
Authorized Representative

International Bank for Reconstruction and Development :

By J. Burke KNAPP
Vice President

SCHEDULE

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>
October 1, 1971	40,000	October 1, 1981	70,000
April 1, 1972	40,000	April 1, 1982	70,000
October 1, 1972	40,000	October 1, 1982	75,000
April 1, 1973	40,000	April 1, 1983	75,000
October 1, 1973	45,000	October 1, 1983	80,000
April 1, 1974	45,000	April 1, 1984	80,000
October 1, 1974	45,000	October 1, 1984	85,000
April 1, 1975	50,000	April 1, 1985	85,000
October 1, 1975	50,000	October 1, 1985	90,000
April 1, 1976	50,000	April 1, 1986	90,000
October 1, 1976	50,000	October 1, 1986	95,000
April 1, 1977	55,000	April 1, 1987	95,000
October 1, 1977	55,000	October 1, 1987	100,000
April 1, 1978	55,000	April 1, 1988	105,000
October 1, 1978	60,000	October 1, 1988	105,000
April 1, 1979	60,000	April 1, 1989	110,000
October 1, 1979	60,000	October 1, 1989	110,000
April 1, 1980	65,000	April 1, 1990	115,000
October 1, 1980	65,000	October 1, 1990	125,000
April 1, 1981	70,000		

* 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	2%
More than eleven years but not more than sixteen years before maturity	3%
More than sixteen years but not more than nineteen years before maturity	4%
More than nineteen years but not more than twenty-one years before maturity	5%
More than twenty-one years before maturity	6%

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 3, DATED 15 FEBRUARY 1961,
AS AMENDED 9 FEBRUARY 1967

REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK TO MEMBER GOVERNMENTS

[*Not published herein. See United Nations, Treaty Series, Vol. 615. p. 98.*]