

No. 9300

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

Loan Agreement—*Education Project* (with schedules and annexed Loan Regulations No. 3, as amended). Signed at Washington, on 10 April 1968

Official text: English.

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

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

Contrat d'emprunt — *Projet relatif à l'enseignement* (avec annexes et, joint, le Règlement n° 3 sur les emprunts, tel que modifié). Signé à Washington, le 10 avril 1968

Texte officiel anglais.

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

No. 9300. LOAN AGREEMENT¹ (*EDUCATION PROJECT*)
BETWEEN THE REPUBLIC OF NICARAGUA AND THE
INTERNATIONAL BANK FOR RECONSTRUCTION AND
DEVELOPMENT. SIGNED AT WASHINGTON, ON
10 APRIL 1968

AGREEMENT, dated April 10, 1968, between REPUBLIC OF NICARAGUA (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 Agreement accept all the provisions of Loan Regulations No. 3 of the Bank, dated February 15, 1961 as amended February 9, 1967,² with the same force and effect as if they were fully set forth herein, subject, however, to the following modification thereof (said Loan Regulations No. 3, as so modified, being hereinafter called the Loan Regulations) : The first sentence of Section 4.01 is deleted.

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower an amount in various currencies equivalent to four million dollars (\$4,000,000).

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 The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, this Agreement and the Loan Regulations.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. The Borrower shall be entitled to withdraw from the Loan Account (a) such amounts as shall have been paid, or, if the Bank shall so agree, as shall be required to meet payments to be made, for the reasonable cost of goods to be agreed between the Borrower and the Bank; and (b) the equivalent

¹ Came into force on 25 June 1968, upon notification by the Bank to the Government of Nicaragua.

² See p. 280 of this volume.

of a percentage or percentages as may be established from time to time by agreement between the Bank and the Borrower of such amounts as shall have been paid or, if the Bank shall so agree, as shall be required to meet payments to be made for the reasonable cost of other goods to be agreed between the Borrower and the Bank, and for the purposes of this subsection (b) clause (b) of Section 4.01 of the Loan Regulations shall not apply.

Section 2.04. Pursuant to Section 3.02 of the Loan Regulations, withdrawals under paragraph (b) of Section 2.03 of this Agreement 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-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 2.06. The Borrower shall pay interest at the rate of six and one-fourth per cent ($6\frac{1}{4}\%$) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

Section 2.07. Except as the Bank and the Borrower 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 May 15 and November 15 in each year.

Section 2.09. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 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 in accordance with the provisions of this Agreement exclusively to financing the cost of goods required to carry out the Project described in Schedule 2 to this Agreement. The specific allocation of the proceeds of the Loan and the methods and procedures for procurement of the goods to be financed out of such proceeds shall be determined by agreement between the Bank and the Borrower, subject to modification by further agreement between them.

Section 3.02. Except as the Bank and the Borrower shall otherwise agree, the Borrower shall cause all goods financed out of the proceeds of the Loan to be used exclusively in carrying out the Project.

Article IV

BONDS

Section 4.01. If and as the Bank shall from time to time request, the Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in Article VI of the Loan Regulations.

Section 4.02. The *Ministro de Hacienda y Crédito Público* of the Borrower is designated as authorized representative of the Borrower for the purposes of Section 6.12 of the Loan Regulations. The *Ministro de Hacienda y Crédito Público* of the Borrower may designate additional or other authorized representatives by appointment in writing notified to the Bank.

Article V

PARTICULAR COVENANTS

Section 5.01. (a) The Borrower shall carry out the Project with due diligence and efficiency in conformity with sound technical, administrative and financial standards, and with due regard to economy, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

(b) The Borrower shall cause the educational institutions included in the Project to be operated so as to promote the educational objectives of the Borrower and to be provided with qualified teachers and administrators in adequate numbers.

(c) The Borrower shall provide, promptly as needed, all funds, facilities and other resources, required for the effective utilization, staffing, equipping, and operation of the educational institutions included in the Project, and shall make such budgetary allocations or other arrangements as shall be necessary for the purpose.

(d) To assist in carrying out the Project, the Borrower shall (i) establish and maintain, upon terms and conditions satisfactory to the Bank, an appropriately staffed special unit within its Ministry of Education, headed by a Project Director acceptable to the Bank, to be responsible for the proper execution and supervision of the Project, and (ii) appoint, from the staff of its Ministry of Development and Public Works, a Project Architect acceptable to the Bank, to be a member of such special unit.

(e) In carrying out of the Project the Borrower shall employ qualified and experienced architectural consultants acceptable to the Borrower and the Bank, to an extent and upon terms and conditions satisfactory to the Borrower and the Bank.

(f) Except as the Bank shall otherwise agree, the Borrower shall, in the carrying out of the Project, employ contractors satisfactory to the Borrower and the Bank, under contracts satisfactory to the Borrower and the Bank.

(g) Upon request from time to time by the Bank, the Borrower shall promptly furnish to the Bank for its approval the plans, specifications, contracts and work schedules for the construction work included in the Project and the master lists of instructional equipment and furniture included therein, and any subsequent material modifications thereof, in such detail as the Bank shall reasonably request.

Section 5.02. The Borrower shall (i) adequately maintain the buildings and equipment of the educational institutions included in the Project and make all necessary renewals and repairs thereof and (ii) provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

Section 5.03. The Borrower shall maintain 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, in respect of the Project, of the 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 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, the educational system of the Borrower and programs for educational development in its territories and the administration, operations and financial condition, in respect of the Project, of the agencies of the Borrower responsible for the carrying out of the Project or any part thereof, and of the educational institutions included in the Project.

Section 5.04. (a) The Borrower and the Bank shall cooperate fully to ensure 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 5.05. 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; or (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

As used in this Section : (a) the term “ assets of the Borrower ” includes assets of the Borrower or of any of its political subdivisions or of any Agency including the Banco Central de Nicaragua, or any other institution performing the functions of a central bank for the Borrower and (b) the term “ Agency ” means any agency or instrumentality of the Borrower or of any political subdivision of the Borrower and shall include any institution or organization which is owned or controlled directly or indirectly by the Borrower or by any political subdivision of the Borrower or the operations of which are conducted primarily in the interest of or for account of the Borrower or any political subdivision of the Borrower.

Section 5.06. (a) The Borrower shall take out and maintain with responsible insurers or make other provisions satisfactory to the Bank for insurance of the buildings and facilities included in the Project against such risks and in such amount as shall be consistent with sound practice.

(b) Without limiting the generality of the foregoing, the Borrower undertakes to insure the imported goods to be financed out of the proceeds of the Loan against marine, transit and other hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, and for

such insurance any indemnity shall be payable in a currency freely usable by the Borrower to replace or repair such goods.

Section 5.07. 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, and free from all restrictions, 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 5.08. This Agreement and the Bonds shall be free from any taxes that shall be imposed under the laws of the Borrower or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof, and the Borrower shall pay all such taxes, if any, imposed under the laws of the country or countries in whose currency the Loan and the Bonds are payable or laws in effect in the territories of such country or countries.

Section 5.09. (a) The Borrower shall promptly take all steps required under the Borrower's laws on expropriation of land for purposes of public use in order to acquire, not later than January 15, 1969, the ownership of all land not otherwise acquired by the Borrower which shall be required for the educational institutions included in the Project.

(b) Except as the Borrower and the Bank shall otherwise agree, the Borrower shall not award any construction contract concerning any of the educational institutions included in the Project until it shall fully own all land required for such construction.

Article VI

REMEDIES OF THE BANK

Section 6.01. (i) If any event specified in paragraph (a) or paragraph (b) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of thirty days, or (ii) if any event specified in paragraph (c) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower, then at any subsequent time during the continuance thereof, the Bank, at its option, may declare the principal of the Loan and of all the Bonds then outstanding to be due and payable immediately, and upon any such declaration such principal shall become due and payable immediately, anything in this Agreement or in the Bonds to the contrary notwithstanding.

Article VII

EFFECTIVE DATE; TERMINATION

Section 7.01. The following event is specified as an additional condition to the effectiveness of this Agreement within the meaning of Section 9.01 (b) of the Loan Regulations, namely, the Borrower shall have established the unit referred to in Section 5.01 (d) of this Agreement and shall have made the initial appointments for the Project Director and Project Architect referred to in said Section 5.01 (d).

Section 7.02. If this Agreement shall not have come into force and effect by April 30, 1968, this 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 purposes of this Section. The Bank shall promptly notify the Borrower of such later date.

Article VIII

MISCELLANEOUS

Section 8.01. The Closing Date shall be June 30, 1973 or such later date as may be agreed by the Bank.

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

For the Borrower :

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

Cable address :

Hacienda
Managua, Nicaragua

For the Bank :

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

Cable address :

Intbafrad
Washington, D.C.

Section 8.03. The *Ministro de Hacienda y Crédito Público* of the Borrower is designated for the purposes of Section 8.03 of the Loan Regulations.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Agreement to be signed in their respective names and to be delivered in the District of Columbia, United States of America, as of the day and year first above written.

Republic of Nicaragua :

By Guillermo SEVILLA SACASA
Authorized Representative

International Bank for Reconstruction and Development :

By Robert S. McNAMARA
President

SCHEDULE 1

AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars) *</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars) *</i>
May 15, 1978	80,000	May 15, 1986	130,000
November 15, 1978	80,000	November 15, 1986	130,000
May 15, 1979	85,000	May 15, 1987	135,000
November 15, 1979	85,000	November 15, 1987	140,000
May 15, 1980	90,000	May 15, 1988	145,000
November 15, 1980	90,000	November 15, 1988	150,000
May 15, 1981	95,000	May 15, 1989	155,000
November 15, 1981	95,000	November 15, 1989	160,000
May 15, 1982	100,000	May 15, 1990	165,000
November 15, 1982	105,000	November 15, 1990	170,000
May 15, 1983	105,000	May 15, 1991	175,000
November 15, 1983	110,000	November 15, 1991	180,000
May 15, 1984	115,000	May 15, 1992	185,000
November 15, 1984	115,000	November 15, 1992	190,000
May 15, 1985	120,000	May 15, 1993	195,000
November 15, 1985	125,000		

* To the extent that any portion 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 twenty-one years before maturity	4%
More than twenty-one years but not more than twenty-three years before maturity	5%
More than twenty-three years before maturity	6¼%

SCHEDULE 2

DESCRIPTION OF PROJECT

The Project consists of the following :

Part A :

Construction of eleven new schools and of extensions to eight existing schools, including boarding facilities where appropriate.

Part B :

Acquisition and installation of instructional equipment for twenty-one schools.

Part C :

Acquisition and installation of furniture for twenty-one schools.

The Project is to be carried out through the Ministry of Education and is to be completed by June 30, 1972.

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.*]