

No. 10221

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

**Loan Agreement—*Third Highway Project* (with annexed General
Conditions Applicable to Loan and Guarantee Agreements).
Signed at Washington on 18 June 1969**

Authentic text: English.

*Registered by the International Bank for Reconstruction and Development on
20 January 1970.*

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

**Contrat d'emprunt — *Troisième projet relatif au réseau routier*
(avec, en annexe, les Conditions générales applicables aux
contrats d'emprunt et de garantie). Signé à Washington le
18 juin 1969**

Texte authentique: anglais.

*Enregistré par la Banque internationale pour la reconstruction et le développement
le 20 janvier 1970.*

LOAN AGREEMENT ¹

AGREEMENT, dated June 18, 1969, between REPUBLIC OF VENEZUELA (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

Article I

GENERAL CONDITIONS; DEFINITIONS

Section 1.01. The parties to this Agreement accept all the provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated January 31, 1969,² with the same force and effect as if they were fully set forth herein (said General Conditions Applicable to Loan and Guarantee Agreements of the Bank being hereinafter called the General Conditions).

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth.

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in the Loan Agreement set forth or referred to, an amount in various currencies equivalent to twenty million dollars (\$20,000,000).

Section 2.02. (a) 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.

(b) The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, the Loan Agreement and in accordance with the Allocation of Proceeds of Loan set forth in Schedule 1 to this Agreement, as such Allocation

¹ Came into force on 29 August 1969, upon notification by the Bank to the Government of Venezuela.

² See p. 340 of this volume.

shall be modified from time to time pursuant to the provisions of such Schedule or by further agreement between the Borrower and the Bank.

Section 2.03. The Borrower shall be entitled to withdraw from the Loan Account in respect of the reasonable cost of goods or services required for the Project and to be financed under the Loan Agreement:

- (i) such amounts as shall have been paid (or, if the Bank shall so agree, shall be required to meet payments to be made) for consultants' and experts' services included in Categories A (ii) (a) and A (ii) (b) of the Allocation of Proceeds of Loan set forth in Schedule 1 to this Agreement; and
- (ii) the equivalent of forty-five per cent (45%) of such amounts as shall have been paid (or, if the Bank shall so agree, shall be required to meet payments to be made) for goods or services included in Category A (i) of the Allocation of Proceeds of Loan set forth in Schedule 1 to this Agreement; provided, however, that if there shall be an increase in the estimate of such payments for goods or services included in Category A (i), the Bank may by notice to the Borrower adjust the stated percentage applicable to such Category as required in order that withdrawals of the amounts of the Loan then allocated to such Category and not withdrawn may continue *pro rata* with the payments remaining to be made for goods or services included in such Category.

Section 2.04. (a) It is hereby agreed, pursuant to Section 5.01 of the General Conditions, that withdrawals from the Loan Account may be made on account of payments in the currency of the Borrower, or for goods produced in, or services supplied from, the territories of the Borrower.

(b) No withdrawal from the Loan Account shall be made on account of payments for taxes imposed by the Borrower or any of its political subdivisions on, or in connection with the importation or supply of goods or services for services for the Project.

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.

Section 2.06. The Borrower shall pay interest at the rate of six and one-half per cent (6½%) per annum on the principal amount of the Loan withdrawn and outstanding from time to time.

Section 2.07. Interest and other charges shall be payable semi-annually on June 15 and December 15 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 2 to this Agreement.

Article III

USE OF PROCEEDS OF LOAN

Section 3.01. The Borrower shall apply the proceeds of the Loan in accordance with the provisions of the Loan Agreement to expenditures on the Project described in Schedule 3 to this Agreement.

Section 3.02. Except as the Bank shall otherwise agree, (i) the goods and services to be financed out of the proceeds of the Loan shall be procured on the basis of international competitive bidding in accordance with the *Guidelines for Procurement under World Bank Loans and IDA Credits*, published by the Bank in February 1968, and in accordance with such other procedures supplementary thereto as are set forth in Schedule 4 to this Agreement or as shall be agreed between the Borrower and the Bank, and (ii) contracts for the procurement of such goods and services shall be subject to the prior approval of the Bank.

Section 3.03. Until the completion of the Project, the Borrower shall cause all goods and services financed out of the proceeds of the Loan to be used exclusively in carrying out the Project, except as the Bank may otherwise agree.

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 VIII of the General Conditions.

Section 4.02. The Minister of Finance of the Borrower and such other person or persons as he shall appoint in writing are designated as authorized representatives of the Borrower for the purposes of Section 8.10 of the General Conditions.

Article V

PARTICULAR COVENANTS

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

(b) The Borrower shall take all such timely action (including adequate provision of funds) as shall be necessary to acquire all such land, rights-of-way and other property rights as shall be required for carrying out the Project.

(c) In the carrying out of the Project, the Borrower shall employ or cause to be employed consultants and other experts acceptable to, and to an extent and upon terms and conditions satisfactory to, the Borrower and the Bank.

(d) Except as the Bank shall otherwise agree, construction of the Project shall be carried out by contractors satisfactory to the Borrower and the Bank, employed under contracts satisfactory to the Borrower and the Bank.

(e) The general design standards and types of surfacing (including pavement) to be used for the roads included in Part A of the Project shall be as set forth in Schedule 5 to this Agreement, as such standards shall be modified from time to time by agreement between the Borrower and the Bank.

(f) 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 details as the Bank shall request.

Section 5.02. (a) The Borrower and the Bank shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, the Borrower and the Bank shall from time to time, at the request of either party, exchange views through their representatives with regard to the performance by the Borrower of its obligations under the Loan Agreement, the administration, operations and financial condition with respect to the Project of the agency or agencies of the Borrower responsible for the carrying out of the Project or any part thereof, and other matters relating to the purposes of the Loan.

(b) The Borrower shall furnish or cause to be furnished to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the goods and services financed out of such proceeds, the Project, the national highway system of the Borrower, and the administration, operations and financial condition with respect to the Project of the agency or agencies of the Borrower responsible for the carrying out of the Project or any part thereof. Such information shall include information with respect to financial and economic conditions in the territories of the Borrower and the international balance of payments position of the Borrower.

(c) The Borrower shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan, the maintenance of the service thereof or the performance of the obligations under the Loan Agreement by the Borrower or the agency or agencies of the Borrower responsible for the carrying out of the Project or any part thereof.

(d) The Borrower shall afford all reasonable opportunity for accredited representatives of the Bank to visit any part of the territories of the Borrower for purposes related to the Loan.

Section 5.03. The Borrower shall maintain records adequate to identify the goods and services financed out of the proceeds of the Loan, to disclose the use thereof in the Project, to record the progress of the Project and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition with respect to the Project of the agency or agencies of the Borrower responsible for the carrying out of the Project or any part thereof and shall enable the Bank's representatives to inspect the Project, the goods financed out of the proceeds of the Loan, and any other relevant records and documents.

Section 5.04. The Borrower shall 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 5.05. 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; (ii) any lien on commercial goods to secure a debt maturing not more than one year after the date on which it is originally incurred and to be paid out of the proceeds of sale of such commercial goods; or (iii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

The term “ assets of the Borrower ” as used in this Section includes assets of the Borrower, or of any of its political subdivisions or of any agency of the Borrower or of any such political subdivision.

Section 5.06. (a) The principal of, and interest and other charges on, the Loan and the Bonds shall be paid without deduction for, and free from, any taxes imposed by the Borrower; provided, however, that the provisions of this Section shall not apply to taxation of payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Borrower.

(b) The Loan Agreement and the Bonds shall be free from any taxes that shall be imposed by the Borrower on or in connection with the execution, issue, delivery or registration thereof and the Borrower shall pay all such taxes, if any, imposed under the laws of the country or countries in whose currency the Loan and the Bonds are payable or laws in effect in the territories of such country or countries.

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

Section 5.07. 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 cause all the highways, expressways and bridges of the national highway system of the Borrower to be adequately maintained and shall cause all necessary repairs thereof promptly to be made, all in accordance with sound engineering practices, and shall take all reasonable steps (including the enforcement of appropriate limitations on size and weight of vehicles) necessary to ensure the proper use of such highways, expressways and bridges.

Section 5.09. The Borrower shall collect and record in accordance with appropriate statistical methods and procedures such technical, economic and financial information as shall be reasonably required for proper planning of maintenance, improvements and extensions of the national highway system of the Borrower, and furnish to the Bank such information in respect thereof as the Bank shall reasonably request.

Section 5.10. The Borrower shall give priority, in its highway construction program, to the carrying out of the Project and, to that end, shall, if necessary to accomplish the prompt and diligent construction thereof, make such revisions in the construction schedules for other parts of that program as may be required.

Article VI

REMEDIES OF THE BANK

Section 6.01. If any event specified in Section 7.01 of the General Conditions or in Section 6.02 hereof shall occur and shall continue for the period, if any, therein set forth, then at any subsequent time during the continuance thereof, the Bank, at its option, may by notice to the Borrower declare the principal of the Loan and of all the Bonds then outstanding to be due and payable immediately, together with the interest and other charges thereon and upon any such declaration such principal, interest and charges shall become due and payable immediately, anything to the contrary in the Loan Agreement or in the Bonds notwithstanding.

Section 6.02. For the purposes of Section 7.01 of the General Conditions the following additional event is specified:

The Borrower shall, without the agreement of the Bank, have modified or terminated or failed to enforce Clause Eighth of the Exchange Agreement between the Borrower and the Central Bank of Venezuela as published in the Official Gazette of the Borrower No. 892 of January 18, 1964.

Article VII

EFFECTIVE DATE; TERMINATION

Section 7.01. The following event is specified as an additional condition to the effectiveness of the Loan Agreement within the meaning of Section 11.01(c) of the General Conditions:

Provision satisfactory to the Bank shall have been made for initial compliance with the requirements of Section 5.01 (b) of this Agreement.

Section 7.02. The date of September 15, 1969 is hereby specified for the purposes of Section 11.04 of the General Conditions.

Article VIII

MISCELLANEOUS

Section 8.01. The Closing Date shall be December 31, 1973 or such other date as shall be agreed between the Borrower and the Bank.

Section 8.02. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 10.03 of the General Conditions.

Section 8.03. The following addresses are specified for the purposes of Section 10.01 of the General Conditions:

For the Borrower:

Ministro de Hacienda
Ministerio de Hacienda
Caracas, Venezuela

Cable address:

Minhacienda
Caracas

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.

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 Venezuela:

By Carlos PEREZ DE LA COVA
Authorized Representative

International Bank for Reconstruction and Development:

By J. Burke KNAPP
Vice President

SCHEDULE 1

ALLOCATION OF PROCEEDS OF LOAN

| <i>Category</i> | <i>Amounts Expressed in Dollar Equivalent</i> |
|---|---|
| A. (i) Highway Construction under Part A of the Project . . . | 15,700,000 |
| (ii) Consultants' and experts' services under: | |
| (a) Part A of the Project | 900,000 |
| (b) Part B of the Project | 250,000 |
| B. Unallocated | <u>3,150,000</u> |
| TOTAL | \$20,000,000 |

REALLOCATION UPON CHANGE IN COST ESTIMATES

1. If the estimate of the cost of the goods and services included in Category A (i) or Category A (ii) (a) or Category A (ii) (b) shall decrease, the amount of the Loan then allocated to and no longer required for, such Category will be reallocated by the Bank to Category B.

2. If the estimate of the cost of the goods and services included in Category A (i) or Category A (ii) (a) or Category A (ii) (b) shall increase, an amount equal to the portion, if any, of such increase to be financed out of the proceeds of the Loan in the case of Categories A (ii) (a) or A (ii) (b), or in the case of Category A (i) an amount equal to 45% of such increase, will be reallocated by the Bank, at the request of the Borrower to such Category from Category B, subject, however, to the requirements for contingencies, as determined by the Bank in respect of the cost of the goods and services in Categories A (ii) (a) and A (ii) (b).

SCHEDULE 2

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> |
|-----------------------------|---|-----------------------------|---|
| December 15, 1973 | 365,000 | December 15, 1981 | 610,000 |
| June 15, 1974 | 375,000 | June 15, 1982 | 630,000 |
| December 15, 1974 | 390,000 | December 15, 1982 | 650,000 |
| June 15, 1975 | 400,000 | June 15, 1983 | 670,000 |
| December 15, 1975 | 415,000 | December 15, 1983 | 690,000 |
| June 15, 1976 | 430,000 | June 15, 1984 | 715,000 |
| December 15, 1976 | 440,000 | December 15, 1984 | 735,000 |
| June 15, 1977 | 455,000 | June 15, 1985 | 760,000 |
| December 15, 1977 | 470,000 | December 15, 1985 | 785,000 |
| June 15, 1978 | 485,000 | June 15, 1986 | 810,000 |
| December 15, 1978 | 500,000 | December 15, 1986 | 840,000 |
| June 15, 1979 | 520,000 | June 15, 1987 | 865,000 |
| December 15, 1979 | 535,000 | December 15, 1987 | 895,000 |
| June 15, 1980 | 555,000 | June 15, 1988 | 920,000 |
| December 15, 1980 | 570,000 | December 15, 1988 | 950,000 |
| June 15, 1981 | 590,000 | June 15, 1989 | 980,000 |

* To the extent that any part of the Loan is repayable in a currency other than dollars (see General Conditions, Section 4.02), 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 portion of the principal amount of the Loan pursuant to Section 3.05 (b) of the General Conditions or on the redemption of any Bond prior to its maturity pursuant to Section 8.15 of the General Conditions:

| <i>Time of Prepayment or Redemption</i> | <i>Premium</i> |
|--|---------------------|
| Not more than three years before maturity | $\frac{3}{4}$ of 1% |
| More than three years but not more than six years before maturity | 1 $\frac{3}{4}$ % |
| More than six years but not more than eleven years before maturity | 2 $\frac{3}{4}$ % |
| More than eleven years but not more than sixteen years before maturity | 4 $\frac{1}{2}$ % |
| More than sixteen years but not more than eighteen years before maturity | 5 $\frac{1}{2}$ % |
| More than eighteen years before maturity | 6 $\frac{1}{2}$ % |

SCHEDULE 3

DESCRIPTION OF THE PROJECT

The Project consists of:

- A. Completion of construction of an urban expressway (Cota Mil Expressway) about 21.5 kilometers long adjoining the northern part of the city of Caracas together with a connection to Autopista del Este, with about 14 interchanges and 6 kilometers of access roads.
- B. Study of road-user charges in the Metropolitan Caracas area.
- C. Reconstruction of Avenida El Panteon.

Part C is not to be financed out of the proceeds of the Loan.

Parts A and C are expected to be completed simultaneously by mid-1973.

Part B is expected to be completed by mid-1972.

SCHEDULE 4

PROCUREMENT

A. *Contracts for Civil Works*

1. Contractors will be prequalified annually until such time as all contracts required for the construction of the Project have been awarded. Invitations for prequalification will be sent to the representatives of the member countries of the Bank (and Switzerland), having an address in Venezuela and appropriate notices of prequalification will be inserted in newspapers of general circulation within Venezuela and in technical magazines of wide international circulation. A period of 45 days will be allowed for the submission of prequalification documents, such period to begin on the day of delivery of invitations to such representatives or on the date of publication of such notices, whichever is later. All contractors will be requested to keep their prequalification information up-to-date. Copies of such invitations and notices will be sent to the Bank.

2. Registration of prequalified non-Venezuelan firms will be facilitated. Importation by successful firms of necessary equipment and machinery will be permitted and, if necessary, removal thereof from Venezuela after completion of the works will be facilitated.

3. Contracts for Project works not yet awarded will be awarded in contracts, as follows:

- (a) Los Chorros viaduct
- (b) La Castellana-El Marques (all remaining works)
- (c) El Marques-La Urbina and La Urbina-Urb. Miranda
- (d) Connection with the Autopista del Este *
- (e) San Bernardino-El Retiro
- (f) Reafforestation
- (g) Slope stabilization

4. Each invitation to bid will be sent to all prequalified firms and at least 45 days will be allowed for the submission of bids.

5. Before awarding any contract, tender documents, a list of participants, analyses of bids made by the Borrower and its consultants will be sent to the Bank, and the Bank will be afforded a reasonable opportunity for commenting thereon. Each award will be made to the contractor who submits the lowest evaluated bid.

* Contract for works under (d) may, by agreement with the Bank, be further subdivided into no more than three contracts.

6. As soon as an award has been made and a contract signed with a contractor, a certified copy of such contract and the proposed schedule of work will be sent to the Bank. No change in any contract which, together with other such changes, would increase the amount of such contract by 10% or more shall be made unless such change is agreed between the Borrower and the Bank.

B. *Contracts for Minor or Specialized Works*

Contracts for minor or specialized works not exceeding in the aggregate 4.5 million Bolivares may be awarded after public competition limited to local contractors.

SCHEDULE 5

DESIGN STANDARDS FOR PART A OF THE PROJECT

| | |
|-----------------------------------|--------------------|
| Design Speed | 80 kph |
| Number of Lanes | 4 |
| Lane Width | 3.60 m |
| Roadway Width | 28 to 32 m |
| Shoulder Width | 1.60 to 2.40 m |
| Minimum Radius | 240 m |
| Maximum Gradient | 5.5% |
| Cross Slope | 2% |
| Type of Paving | Asphaltic Concrete |
| Load Design for Bridges | H20-S16 (AASHO) |
| Single Axle Load | 8,500 kg |

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

GENERAL CONDITIONS, DATED 31 JANUARY 1969

GENERAL CONDITIONS APPLICABLE TO LOAN AND GUARANTEE AGREEMENTS

[*Not published herein. See United Nations, Treaty Series, Vol. 691, p. 300.*]