

No. 11573

**INTERNATIONAL DEVELOPMENT ASSOCIATION
and
EL SALVADOR**

**Development Credit Agreement—*Fifth Power Project* (with
schedules and General Conditions Applicable to Development
Credit Agreements). Signed at Washington on 13 January 1971**

Authentic text : English.

Registered by the International Development Association on 3 February 1972.

**ASSOCIATION INTERNATIONALE
DE DÉVELOPPEMENT**

et

EL SALVADOR

**Contrat de crédit de développement — *Cinquième projet
d'électrification* (avec annexes et Conditions générales
applicables aux contrats de crédit de développement). Signé
à Washington le 13 janvier 1971**

Texte authentique : anglais.

Enregistré par l'Association internationale de développement le 3 février 1972.

DEVELOPMENT CREDIT AGREEMENT¹

AGREEMENT, dated January 13, 1971, between REPUBLIC OF EL SALVADOR (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS (A) The Borrower has requested the Association to assist in the financing of the foreign exchange cost of the Project described in Schedule 2 to this Agreement by extending the Credit as hereinafter provided;

(B) The Project will be carried out by Comisión Ejecutiva Hidroeléctrica del Río Lempa with the Borrower's assistance and, as part of such assistance, the Borrower will make available to Comisión Ejecutiva Hidroeléctrica del Río Lempa the proceeds of the Credit as hereinafter provided; and

(C) The Association is willing to make the Credit available upon the terms and conditions set forth hereinafter and in a project agreement of even date herewith² between the Association and Comisión Ejecutiva Hidroeléctrica del Río Lempa;

NOW THEREFORE the parties hereto hereby agree as follows :

Article I

GENERAL CONDITIONS; DEFINITIONS

Section 1.01. The parties to this Agreement accept all the provisions of the General Conditions Applicable to Development Credit Agreements of the Association, dated January 31, 1969,³ with the same force and effect as if they were fully set forth herein, subject, however, to the deletion of Section 5.01 thereof (said General Conditions Applicable to Development Credit Agreements of the Association, as so modified, 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

¹ Came into force on 22 October 1971, upon notification by the Association to the Government of El Salvador.

² The said Agreement entered into force on 22 October 1971. As it does not constitute an international agreement or a part of the present Agreement, it is not reproduced herein. However, it was published by the Association as document CN 227 ES, a certified true copy of which was transmitted to the Secretariat together with the documentation submitted for registration of the present Development Credit Agreement.

³ See p. 20 of this volume.

respective meanings therein set forth and the following additional terms have the following meanings :

(a) " CEL " means Comisión Ejecutiva Hidroeléctrica del Río Lempa ;

(b) " Project Agreement " means the agreement between the Association and CEL of even date herewith, as the same may be amended from time to time, and such term includes all schedules to the Project Agreement; and

(c) " Subsidiary Loan Agreement " means the agreement to be entered into between the Borrower and CEL pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Loan Agreement.

Article II

THE CREDIT

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions in the Development Credit Agreement set forth or referred to, an amount in various currencies equivalent to five million six hundred thousand dollars (\$5,600,000). The amount of the Credit may be withdrawn from the Credit Account by CEL acting on behalf of the Borrower pursuant to the provisions of Section 9.02 of this Agreement, as provided in, and subject to the rights of cancellation and suspension set forth in, this Agreement and the General Conditions.

Section 2.02. The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement, as such Schedule shall be amended from time to time, for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed under the Development Credit Agreement; provided, however, that, except as the Association shall otherwise agree, no withdrawal shall be made 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, or services supplied from, such territories.

Section 2.03. The Closing Date shall be December 31, 1973 or such other date as shall be agreed between the Borrower and the Association.

Section 2.04. 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.

Section 2.05. Service charges shall be payable semi-annually on April 15 and October 15 in each year.

Section 2.06. The Borrower shall repay the principal amount of the Credit withdrawn from the Credit Account in semi-annual installments payable on each April 15 and October 15 commencing April 15, 1981 and ending October 15, 2020, each installment to and including the installment payable on October 15, 1990 to be one-half of one per cent ($\frac{1}{2}$ of 1%) of such principal amount, and each installment thereafter to be one and one-half per cent ($1\frac{1}{2}$ %) of such principal amount.

Section 2.07. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

Article III

EXECUTION OF THE PROJECT

Section 3.01. (a) The Borrower shall cause CEL to carry out the Project with due diligence and efficiency and in conformity with sound administrative, engineering, financial and public utility practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

(b) The Borrower shall relend the proceeds of the Credit to CEL under a Subsidiary Loan Agreement to be entered into between the Borrower and CEL under terms and conditions which shall have been approved by the Association, and which shall, without limitation, provide for CEL (i) to pay to the Borrower a commitment charge at the rate of three-fourths of one per cent ($\frac{3}{4}$ of 1%) per annum on the principal amount so relent and not withdrawn by CEL from time to time, (ii) to pay to the Borrower interest at the rate of seven and one-quarter per cent ($7\frac{1}{4}$ %) per annum on the principal amount so relent and withdrawn by CEL and outstanding from time to time, and (iii) to repay to the Borrower the principal amount so relent over a period of 20 years from the date of this Agreement, including therein a period of grace of two and one-half years.

(c) The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit, and except as the Association shall otherwise agree, the Borrower shall not assign, nor amend, abrogate or waive the Subsidiary Loan Agreement or any provision thereof.

Section 3.02. (a) Except as the Association shall otherwise agree, the goods and services required for the Project and to be financed out of the proceeds of the Credit shall be procured pursuant to the provisions set forth or referred to in Section 2.04 (a) of the Project Agreement.

(b) Except as the Association shall otherwise agree, the Borrower shall cause all goods and services financed out of the proceeds of the Credit to be used exclusively for the Project.

Article IV

OTHER COVENANTS

Section 4.01. The Borrower shall use its best efforts to cause independent auditors acceptable to the Association to be appointed as CEL's auditors for the purposes of Section 4.02 of the Project Agreement.

Section 4.02. The Borrower shall from time to time take or cause to be taken all measures required on its part to enable CEL to make such adjustments in its rates for the sale of electricity as may be necessary to meet the requirements of Section 4.03 of the Project Agreement.

Article V

CONSULTATION, INFORMATION AND INSPECTION

Section 5.01. The Borrower and the Association shall cooperate fully to assure that the purposes of the Credit will be accomplished. To that end, the Borrower and the Association shall from time to time, at the request of either party :

- (a) exchange views through their representatives with regard to the performance of their respective obligations under the Development Credit Agreement, the performance by CEL of its obligations under the Project Agreement and under the Subsidiary Loan Agreement, the administration, operations and financial condition of CEL and of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof, and other matters relating to the purposes of the Credit; and
- (b) furnish to the other all such information as it shall reasonably request with regard to the general status of the Credit. On the part of the Borrower, such information shall include information with respect to financial and economic conditions in the territories of the Borrower, including its balance of payments, and the external debt of the Borrower, of any of its political subdivisions and of any agency of the Borrower or of any such political subdivision.

Section 5.02. (a) The Borrower shall furnish or cause to be furnished to the Association all such information as the Association shall reasonably request

concerning the operations and financial condition of CEL and of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall promptly inform the Association of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Credit, the maintenance of the service thereof, or the performance by the Borrower of its other obligations under the Development Credit Agreement or the performance by CEL of its obligations under the Project Agreement and the Subsidiary Loan Agreement.

Section 5.03. The Borrower shall afford all reasonable opportunity for accredited representatives of the Association to inspect all plants, sites, works, property and equipment of CEL and to visit any part of the territories of the Borrower for purposes related to the Credit.

Article VI

TAXES AND RESTRICTIONS

Section 6.01. 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.

Section 6.02. The Development Credit Agreement and the Project Agreement shall be free from any taxes on or in connection with the execution, delivery or registration thereof, imposed under the laws of the Borrower or laws in effect in its territories.

Section 6.03. The payment of the principal of, and service charges on, the Credit shall be free from all restrictions, regulations, controls and moratoria of any nature imposed under the laws of the Borrower or laws in effect in its territories.

Article VII

REMEDIES OF THE ASSOCIATION

Section 7.01. If any event specified in Section 7.01 of the General Conditions or in Section 7.02 of this Agreement shall occur and shall continue for the period, if any, therein set forth, then at any subsequent time during the continuance thereof, the Association, at its option, may by notice to the Borrower declare the principal of the Credit then outstanding to be due and payable immediately together with the service charges thereon, and upon any such declaration such principal and service charges shall become due and payable immediately, anything to the contrary in the Development Credit Agreement notwithstanding.

Section 7.02. For the purposes of Section 7.01 of the General Conditions, the following additional events are specified :

- (a) A default shall occur in the performance of any obligation on the part of CEL under the Project Agreement and such default shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower and CEL.
- (b) CEL shall have become unable to pay its debts as they mature or any action or proceeding shall have been taken by CEL or by others whereby any of the property of CEL shall or may be distributed among its creditors.
- (c) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of CEL or for the suspension of its operations.

Article VIII

EFFECTIVE DATE; TERMINATION

Section 8.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 10.01 (b) of the General Conditions :

- (a) The execution and delivery of the Project Agreement on behalf of CEL shall have been duly authorized or ratified by all necessary corporate and governmental action.
- (b) The execution and delivery of the Subsidiary Loan Agreement on behalf of the Borrower and CEL, respectively, shall have been duly authorized or ratified by all necessary corporate and governmental action.

Section 8.02. The following are specified as additional matters, within the meaning of Section 10.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association :

- (a) That the Project Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, CEL, and constitutes a valid and binding obligation of CEL in accordance with its terms.
- (b) That the Subsidiary Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and CEL, respectively, and constitutes a valid and binding obligation of the Borrower and CEL in accordance with its terms.

Section 8.03. The date of April 30, 1971 is hereby specified for the purposes of Section 10.04 of the General Conditions.

Section 8.04. The obligations of the Borrower under Sections 4.01, 4.02 and 5.02 (a) of this Agreement and the provisions of paragraphs (a), (b) and (c) of Section 7.02 of this Agreement shall cease and determine on the date on which

the Development Credit Agreement shall terminate or on a date twenty years after the date of this Agreement, whichever shall be the earlier.

Article IX

REPRESENTATIVE OF THE BORROWER; ADDRESSES

Section 9.01. The Ministro de Hacienda of the Borrower is designated as representative of the Borrower for the purposes of Section 9.03 of the General Conditions.

Section 9.02. The Borrower irrevocably designates CEL its agent for the purpose of taking any action required or permitted under Sections 2.01 and 2.02 of this Agreement, and under Section 3.01 and Article V of the General Conditions.

Section 9.03. The following addresses are specified for the purposes of Section 9.01 of the General Conditions :

For the Borrower :

Ministro de Hacienda
Ministerio de Hacienda
San Salvador, El Salvador
and

Secretario Ejecutivo del Consejo Nacional de Planificación
y Coordinación Económica (Conaplan)
San Salvador, El Salvador

Cable address :

Minhacienda
San Salvador
and
Conaplan
San Salvador

For the Association :

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

Cable address :

Indevas
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 El Salvador :
By Colonel JULIO A. RIVERA
Authorized Representative

International Development Association :
By J. BURKE KNAPP
Vice President

SCHEDULE 1

WITHDRAWAL OF THE PROCEEDS OF THE CREDIT

1. The table below sets forth the categories of items to be financed out of the proceeds of the Credit and the allocation of amounts of the Credit to each category :

<i>Category</i>	<i>Amount of the Credit Allocated (Expressed in Dollar Equivalent)</i>
I. (a) Gas turbine plant	3,360,000
(b) Transmission line	1,380,000
II. Engineering services	460,000
III. Unallocated	400,000
	TOTAL <u>5,600,000</u>

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of :

- (a) expenditures in currency of the Borrower, or for goods produced in, or services supplied from, the territories of the Borrower, except as the Association shall otherwise agree;
- (b) expenditures prior to the date of this Agreement; and
- (c) payments for taxes imposed under the laws of the Borrower or laws in effect in its territories on goods or services, or on the importation, manufacture, procurement or supply thereof.

3. Notwithstanding the allocation of an amount of the Credit set forth in the second column of the table in paragraph 1 above :

- (a) if the estimate of the expenditures under any Category shall decrease, the amount of the Credit then allocated to such Category and no longer required therefor will be reallocated by the Association by increasing correspondingly the unallocated amount of the Credit;

- (b) if the estimate of the expenditures under any Category shall increase, a corresponding amount will be allocated by the Association, at the request of the Borrower, to such Category from the unallocated amount of the Credit, subject, however, to the requirements for contingencies, as determined by the Association, in respect of any other expenditures.

SCHEDULE 2

DESCRIPTION OF THE PROJECT

The Project consists of :

Part A

The supply and erection of a gas turbine plant at the Soyapango Substation comprising two gas turbine units of about 16.5 Megawatt each

Part B

The supply and installation of a 115 kilovolt transmission line between San Rafael Cedros and San Miguel.

The Project is expected to be completed by March 31, 1973.

INTERNATIONAL DEVELOPMENT ASSOCIATION

GENERAL CONDITIONS, DATED 31 JANUARY 1969

GENERAL CONDITIONS APPLICABLE TO DEVELOPMENT CREDIT AGREEMENTS

[*Not published herein. See United Nations, Treaty Series, vol. 703, p. 244.*]