

No. 6780

**INTERNATIONAL DEVELOPMENT ASSOCIATION
and
EL SALVADOR**

**Development Credit Agreement—*Third Highway Project*
(with related letter and annexed Development Credit
Regulations No. 1). Signed at Washington, on 2 No-
vember 1962**

Official text: English.

Registered by the International Development Association on 18 June 1963.

**ASSOCIATION INTERNATIONALE
DE DÉVELOPPEMENT
et
SALVADOR**

**Contrat de crédit de développement — *Troisième 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 2 novembre 1962**

Texte officiel anglais.

Enregistré par l'Association internationale de développement le 18 juin 1963.

No. 6780. DEVELOPMENT CREDIT AGREEMENT¹ (*THIRD HIGHWAY PROJECT*) BETWEEN THE REPUBLIC OF EL SALVADOR AND THE INTERNATIONAL DEVELOPMENT ASSOCIATION. SIGNED AT WASHINGTON, ON 2 NOVEMBER 1962

AGREEMENT, dated November 2, 1962, between REPUBLIC OF EL SALVADOR (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

Article I

CREDIT REGULATIONS

Section 1.01. The parties hereto accept all the provisions of Development Credit Regulations No. 1 of the Association dated June 1, 1961,² with the same force and effect as if they were fully set forth herein.

Article II

THE CREDIT

Section 2.01. The Association agrees to make available to the Borrower, on the terms and conditions in this 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 The amount of the Credit may be withdrawn from the Credit Account as provided in, and subject to the rights of cancellation and suspension set forth in, this Agreement and the Regulations.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 (i) such amounts as shall have been expended for the reasonable foreign exchange cost of Parts B and C of the Project; (ii) the equivalent of a percentage or percentages to be established from time to time by agreement between the Borrower and the Association of such

¹ Came into force on 8 April 1963, upon notification by the Association to the Government of El Salvador.

² See p. 348 of this volume.

amounts as shall have been expended by the Borrower for the reasonable cost of goods required for carrying out Part A of the Project; and (iii) if the Association shall so agree, such amounts as shall be required by the Borrower to meet the reasonable cost of the foregoing; provided, however, that no withdrawals shall be made on account of expenditures prior to October 1, 1962.

Section 2.04. Withdrawals from the Credit Account shall be in such freely convertible currency or currencies as the Association shall from time to time reasonably select.

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 Regulations.

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

Section 2.07. The Borrower shall repay the principal amount of the Credit in semi-annual instalments payable on each May 1 and November 1 commencing November 1, 1972 and ending May 1, 2012, each instalment to and including the instalment payable on May 1, 1982 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 the Project described in the Schedule¹ to this 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. Except as the Borrower and the Association shall otherwise agree, 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.

¹ See p. 344 of this volume.

Article IV

PARTICULAR COVENANTS

Section 4.01. (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 Association 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 Association.

(c) Except as the Association shall otherwise agree, the Borrower shall cause the Project to be carried out by contractors satisfactory to the Borrower and the Association employed under contracts satisfactory to the Borrower and the Association.

(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 Association, subject to modification by further agreement between them.

(e) Upon request from time to time by the Association, the Borrower shall promptly furnish or cause to be furnished to the Association the plans, specifications and work schedules for the Project and any material modifications subsequently made therein, in such detail as the Association 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 adopt before 1963 an extraordinary budget pursuant to Article 125 of the Constitution of El Salvador appropriating an aggregate amount of not less than 12,000,000 colones to be used in the carrying out of Parts A and C of the Project. The minimum amounts to be appropriated in such budget for the calendar years 1963 through 1966 for the execution of Parts A and C of the Project are as follows :

1963	2,000,000 colones
1964	3,500,000 colones
1965	4,000,000 colones
1966	2,500,000 colones

If the sum expended for carrying out Parts A and C of the Project in one calendar year exceeds the amount appropriated for such year, the difference will be deducted from the amount appropriated for the calendar year 1966, provided that such deduction would not interfere with the proper carrying out of Parts A and C of the Project.

In addition an aggregate amount of 1,750,000 colones shall be made available as a separate item in the Highway Maintenance Budget for Part B of the Project. This amount shall be made available in equal sums during the calendar years 1963 to 1966.

Any sums appropriated as provided herein shall be used only for the purpose for which they were appropriated, and if not completely expended in one calendar year shall be carried over to the next calendar year or years and shall be used only for such purpose.

The obligation contained in this sub-paragraph (*g*) shall be without prejudice to the general obligations set forth in Sections 4.01 (*a*), 4.01 (*f*) and 4.05 of this Agreement.

(*h*) The Borrower shall maintain or cause to be maintained records adequate to identify the goods financed out of the proceeds of the Credit, 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 Association's representatives to inspect the Project, the goods and any relevant records and documents; and shall furnish or cause to be furnished to the Association all such information as the Association shall reasonably request concerning the expenditure of the proceeds of the Credit, the Project, the goods and 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.

Section 4.02. (*a*) The Borrower and the Association shall cooperate fully to assure that the purposes of the Credit 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 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.

(*b*) The Borrower and the Association shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Credit and the maintenance of the service thereof. 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 or the maintenance of the service thereof.

(*c*) The Borrower shall afford all reasonable opportunity for accredited representatives of the Association to visit any part of the territories of the Borrower for purposes related to the Credit.

Section 4.03. The principal of, and service charges on, the Credit shall be paid without deduction for, and free from, any taxes or fees imposed under the