

No. 6940

**INTERNATIONAL DEVELOPMENT ASSOCIATION
and
NICARAGUA**

Development Credit Agreement—*Managua Water Supply Project* (with related letters and annexed Development Credit Regulations No. 1). Signed at Washington, on 7 September 1962

Official text: English.

Registered by the International Development Association on 24 September 1963.

**ASSOCIATION INTERNATIONALE
DE DÉVELOPPEMENT
et
NICARAGUA**

Contrat de crédit de développement — *Projet relatif à l'approvisionnement en eau de Managua* (avec lettres y relatives et, en annexe, le Règlement n° 1 sur les crédits de développement). Signé à Washington, le 7 septembre 1962

Texte officiel anglais.

Enregistré par l'Association internationale de développement le 24 septembre 1963.

No. 6940. DEVELOPMENT CREDIT AGREEMENT¹ (*MANAGUA WATER SUPPLY PROJECT*) BETWEEN THE REPUBLIC OF NICARAGUA AND THE INTERNATIONAL DEVELOPMENT ASSOCIATION. SIGNED AT WASHINGTON, ON 7 SEPTEMBER 1962

AGREEMENT, dated September 7, 1962, between REPUBLIC OF NICARAGUA (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. 1² of the Association dated June 1, 1961, (said Development Credit Regulations No. 1 being hereinafter called the Regulations) 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 three million dollars (\$3,000,000).

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 The amount of the Credit may be withdrawn from the Credit Account as provided in, and subject to the rights of cancellation and suspension set forth in, this Agreement and the Regulations.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. Notwithstanding the first sentence of Section 4.01 of the Regulations and except as the Borrower and the Association shall otherwise agree :

(a) The Borrower shall be entitled to withdraw from the Credit Account (i) amounts expended for the reasonable cost of goods to be financed out of the proceeds

¹ Came into force on 10 July 1963, upon notification by the Association to the Government of Nicaragua.

² See p. 332 of this volume.

of the Credit, and (ii) if the Association shall so agree, such amounts as shall be required to meet payments to be made for the reasonable cost of such goods.

(b) No withdrawals shall be made on account of (i) expenditures prior to July 1, 1962 or (ii) expenditures in the currency of the Borrower or for goods produced in (including services supplied from) the territories of the Borrower.

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.

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

Section 2.07. The Borrower shall repay the principal amount of the Credit in semi-annual instalments payable on each March 1 and September 1 commencing September 1, 1972 and ending March 1, 2012, each instalment to and including the instalment payable on March 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. 326 of this volume.

Article IV

PARTICULAR COVENANTS

Section 4.01. (a) The Borrower shall enter into a Subsidiary Loan Agreement with Empresa Aguadora de Managua (hereinafter called the Empresa) satisfactory to the Association, providing for the relending of the proceeds of the Credit to the Empresa and containing appropriate provisions with respect to the financing and carrying out of the Project. Such Subsidiary Loan Agreement shall not be amended, assigned or abrogated, nor shall any material waiver of any provision thereof be given, without the consent of the Association.

(b) The Borrower shall cause the Project to be carried out with due diligence and efficiency and in conformity with sound engineering, financial and public utility practices.

(c) 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.

(d) 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.

(e) The general design assumptions to be used for the Project shall be as agreed between the Association and the Borrower.

(f) 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.

(g) The Borrower shall at all times make or cause to be made available promptly as needed all sums which shall be required for the carrying out of the Project.

(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 Empresa and all financial transactions between the Borrower and the Empresa ; shall enable the Association's representatives to inspect the Project, all properties and facilities operated by the Empresa, 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 Empresa.

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 laws of the Borrower or laws in effect in its territories and free from all restrictions imposed under the laws of the Borrower or laws in effect in its territories.

Section 4.04. This Agreement shall be free from any taxes or fees 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.

Section 4.05. The Borrower shall cause the Empresa to operate, maintain, repair and renew its plants, equipment and property in accordance with sound engineering standards and to conduct its operations and maintain its financial position in accordance with sound business and public utility practices.

Section 4.06. The Borrower shall take or cause to be taken all necessary action to assure that the Empresa shall at all times maintain water rates adequate to provide sufficient revenue :

(a) to cover operating expenses, including taxes, if any, and interest payments on borrowings, and to provide for adequate maintenance and depreciation based on realistic valuations of assets ;

(b) to meet repayments on long-term indebtedness to the extent that any such repayments exceed the provisions for depreciation ; and

(c) to finance the normal year to year extensions of the water supply system and to provide a reasonable part of the cost of future major expansion.