

No. 9299

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
and
EL SALVADOR**

**Loan Agreement—*Third Highway Project (Supplementary)*
(with schedule and annexed Loan Regulations No. 3,
as amended). Signed at Washington, on 7 December 1967**

Official text: English.

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

**BANQUE INTERNATIONALE POUR
LA RECONSTRUCTION ET LE DÉVELOPPEMENT
et
EL SALVADOR**

**Contrat d'emprunt — *Troisième projet (supplémentaire)*
relatif au réseau routier (avec annexe et, joint, le Règlement n° 3 sur les emprunts, tel que modifié). Signé à
Washington, le 7 décembre 1967**

Texte officiel anglais.

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

No. 9299. LOAN AGREEMENT¹ (*THIRD HIGHWAY PROJECT—SUPPLEMENTARY*) BETWEEN THE REPUBLIC OF EL SALVADOR AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 7 DECEMBER 1967

AGREEMENT, dated December 7, 1967, between REPUBLIC OF EL SALVADOR (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS by an agreement with the Borrower dated November 2, 1962,² (hereinafter called the Development Credit Agreement) the International Development Association has made available to the Borrower, on the terms and conditions set forth in said Development Credit Agreement, a development credit in an amount in various currencies equivalent to eight million dollars (\$8,000,000) for the purpose of assisting in the financing of a road construction and maintenance project which is being carried out by the Borrower; and

WHEREAS the Borrower has requested the Bank to provide additional financing for the same purpose;

NOW THEREFORE the parties hereto hereby agree as follows :

Article I

LOAN REGULATIONS

Section 1.01. The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 3 of the Bank dated February 15, 1961 as amended February 9, 1967,³ with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications thereof (said Loan Regulations No. 3 as so modified being hereinafter called the Loan Regulations) :

(a) Section 4.01 is deleted.

(b) Paragraph 10 of Section 10.01 is deleted and the following paragraph is substituted therefor :

“10. The term Project means the project for which the Loan is granted, as described in the schedule (Description of the Project) to the Development

¹ Came into force on 1 July 1968, upon notification by the Bank to the Government of El Salvador.

² United Nations, *Treaty Series*, Vol. 468, p. 331.

³ See p. 280 of this volume.

Credit Agreement and as such description may be amended from time to time by agreement among the Borrower, the Association and the Bank.”

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in this Loan Agreement set forth or referred to an amount in various currencies equivalent to two million eight hundred thousand dollars (\$2,800,000).

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 Loan Agreement.

Section 2.03. (a) Except as the Borrower and the Bank shall otherwise agree, the Borrower shall be entitled, subject to the provisions of this Loan Agreement, to withdraw from the Loan Account the equivalent of a percentage or percentages to be established from time to time by agreement between the Borrower and the Bank of (i) such amounts as shall have been paid for the reasonable cost of construction contracts for Part A of the Project to be financed under this Loan Agreement; and (ii) if the Bank shall so agree, such amounts as shall be required to meet payments to be made for the reasonable cost of such contracts.

(b) Except as shall be otherwise agreed between the Borrower and the Bank, no withdrawals shall be made from the Loan Account (i) until the amount allocated for Part A of the Project in the Development Credit Agreement shall have been fully withdrawn and (ii) 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 (including services supplied from) such territories.

Section 2.04. Withdrawals from the Loan Account 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-eighths of one per cent ($\frac{3}{8}$ of 1%) per annum on the principal amount of the Loan not so withdrawn from time to time.

Section 2.06. The Borrower shall pay interest at the rate of six per cent (6%) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

Section 2.07. Except as the Borrower and the Bank 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 commitments outstanding from time to time.

Section 2.08. Interest and other charges shall be payable semiannually on April 1 and October 1 in each year.

Section 2.09. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in the Schedule to this Agreement.

Article III

USE OF PROCEEDS OF THE LOAN

Section 3.01. Except as shall otherwise be agreed between the Borrower and the Bank, the Borrower shall cause the proceeds of the Loan to be applied exclusively to financing the cost of goods required to carry out Part A of the Project. The specific goods to be financed out of the proceeds of the Loan and the methods and procedures for procurement of such goods shall be determined by agreement between the Borrower and the Bank, subject to modification by further agreement between them.

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

Article IV

BONDS

Section 4.01. The Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in the Loan Regulations.

Section 4.02. The *Ministro de Hacienda* of the Borrower and such person or persons as he shall appoint in writing are designated as authorized representatives of the Borrower for the purposes of Section 6.12 of the Loan Regulations.

Article V

PARTICULAR COVENANTS

Section 5.01. (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 Bank 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 Bank.

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

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

(e) Upon request from time to time by the Bank, 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 detail as the Bank 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 maintain or cause to be maintained 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 of the agency or 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 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 Project, the goods and the operations and financial conditions of the agency or agencies of the Borrower responsible for the carrying out of the Project or any part thereof.

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, 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.

(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 prompt-