
LOAN NUMBER 124 GU

Loan Agreement

(Highway Project)

BETWEEN

REPUBLIC OF GUATEMALA

AND

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

DATED JULY 29, 1955

Loan Agreement

AGREEMENT, dated July 29, 1955, between the REPUBLIC OF GUATEMALA (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

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, 1955 (said Loan Regulations No. 3 being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

ARTICLE II

The Loan

SECTION 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in this Agreement set forth or referred to, an amount in various currencies equivalent to eighteen million two hundred thousand dollars (\$18,200,000).

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 The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, the Loan Regulations.

SECTION 2.03. 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at the rate of three-fourths of one per cent ($\frac{3}{4}$ of 1%) per annum on the principal amount of the Loan not so withdrawn from time to time.

SECTION 2.04. The Borrower shall pay interest at the rate of four and five-eighths per cent ($4\frac{5}{8}\%$) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

SECTION 2.05. 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 2.06. Interest and other charges shall be payable semi-annually on February 1 and August 1 in each year.

SECTION 2.07. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 1 to this Agreement.

ARTICLE III

Use of Proceeds of the Loan

SECTION 3.01. The Borrower shall cause the proceeds of the Loan to be applied exclusively to financing the cost of goods required to carry out the Project described in Schedule 2 to this Agreement. The specific goods to be financed out of the proceeds of the Loan 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.

SECTION 3.03. Except as the Borrower and the Bank shall otherwise agree: (i) all contracts entered into by the

Borrower, for the construction of the highways included in the Project or for the purchase of equipment and materials to be used in carrying out the Project shall be awarded on the basis of international competitive bidding and such contracts shall be in form and substance satisfactory to the Bank; and (ii) any subcontract the amount of which is the equivalent of 100,000 quetzales or more shall also be in form and substance satisfactory to the Bank.

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 y Crédito Público 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) To assist it in the carrying out of the Project the Borrower shall employ competent and experienced technical consultants mutually satisfactory to the Borrower and the Bank upon terms and conditions mutually satisfactory to the Borrower and the Bank. Contractors mutually satisfactory to the Borrower and the Bank shall, except as the Bank shall otherwise agree, be employed by the Borrower to construct the highways included in the Project.

(c) The Borrower shall cause to be furnished to the Bank, promptly upon their preparation, the plans and speci-

fications for the Project and any material modifications subsequently made therein.

(d) 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, and to record the progress of the Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the financial condition and operations of the agency or agencies of the Borrower responsible for the construction or operation 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 to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the Project, and the goods, and the financial condition and operations of the agency or agencies of the Borrower responsible for the construction or operation 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 and the international balance of payments position 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 promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

(c) 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. 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, including assets of the Banco de Guatemala.

SECTION 5.04. 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 or fees imposed under the laws of the Borrower or laws in effect in its territories; provided, however, that the provisions of this Section shall not apply to taxation of, or fees upon, 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.

SECTION 5.05. (a) The Loan Agreement and the Bonds 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.

(b) The Borrower shall remit to the Bank, at the Bank's request, funds sufficient for the Bank to pay all taxes or fees, 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, on or in connection with the execution, issue, delivery or registration of the Loan Agreement and the Bonds.

SECTION 5.06. 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 5.07. The Borrower shall satisfy the Bank that adequate arrangements have been made to insure the goods financed with the proceeds of the Loan against risks incident to their purchase and importation into the territories of the Borrower.

SECTION 5.08. (a) The Borrower shall cause all highways in its highway system to be adequately maintained and shall cause all necessary repairs thereof to be made, all in accordance with sound engineering practices.

(b) The Borrower shall cause all its machinery and equipment for highway construction and maintenance to be adequately maintained and repaired, and shall cause suitable workshops to be maintained in suitable places for that purpose.

SECTION 5.09. As the Project and the Inter-American Highway have been assigned the highest priority in the highway construction program of the Borrower, the Borrower shall not, except as the Borrower and the Bank shall otherwise agree, undertake or permit to be undertaken, until the Project shall have been carried out, the construction of new highways (other than the Project and the Inter-American Highway) the aggregate cost of which during any one fiscal year of the Borrower shall be more than 1,000,000 quetzales or equivalent. For purposes of this Section, a new highway shall be deemed to be one the construction work of which shall not have been started on August 1, 1955.

SECTION 5.10. The Borrower agrees to take such steps as shall be necessary to provide promptly, as and when required to avoid delays in carrying out the Project in accordance with this Agreement, such funds as shall be necessary for that purpose.

ARTICLE VI

Remedies of the Bank

SECTION 6.01. (i) If any event specified in paragraph (a) or paragraph (b) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of thirty days, or (ii) if any event specified in paragraph (c) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower, then at any subsequent time during the continuance thereof, the Bank, at its option, may declare the principal of the Loan and of all the Bonds then outstanding to be due and payable immediately, and upon any such declaration such principal shall become due and payable immediately, anything in this Agreement or in the Bonds to the contrary notwithstanding.

ARTICLE VII

Miscellaneous

SECTION 7.01. The Closing Date shall be December 31, 1958.

SECTION 7.02. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations:

For the Borrower:

Ministro de Hacienda y Crédito Público
Palacio Nacional
Guatemala City
Guatemala

For the Bank:

International Bank for Reconstruction
and Development
1818 H Street, N. W.
Washington 25, D. C.
United States of America

SECTION 7.03. A date ninety days after the date of this Agreement is hereby specified for the purposes of Section 9.04 of the Loan Regulations.

SECTION 7.04. The Ministro de Hacienda y Crédito Público of the Borrower is designated for the purposes of Section 8.03 of the Loan Regulations.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective

names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF GUATEMALA

By J. LUIS CRUZ S.

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By EUGENE R. BLACK

President

SCHEDULE 1**Amortization Schedule**

Date Payment Due	Payment of Principal (expressed in dollars)*	Principal Amount Outstanding After Each Payment (expressed in dollars)*
August 1, 1958	—	\$18,200,000
February 1, 1959	\$576,000	17,624,000
August 1, 1959	589,000	17,035,000
February 1, 1960	603,000	16,432,000
August 1, 1960	617,000	15,815,000
February 1, 1961	631,000	15,184,000
August 1, 1961	646,000	14,538,000
February 1, 1962	660,000	13,878,000
August 1, 1962	676,000	13,202,000
February 1, 1963	691,000	12,511,000
August 1, 1963	707,000	11,804,000
February 1, 1964	724,000	11,080,000
August 1, 1964	740,000	10,340,000
February 1, 1965	758,000	9,582,000
August 1, 1965	775,000	8,807,000
February 1, 1966	793,000	8,014,000
August 1, 1966	811,000	7,203,000
February 1, 1967	830,000	6,373,000
August 1, 1967	849,000	5,524,000
February 1, 1968	869,000	4,655,000
August 1, 1968	889,000	3,766,000
February 1, 1969	910,000	2,856,000
August 1, 1969	930,000	1,926,000
February 1, 1970	952,000	974,000
August 1, 1970	974,000	—

* To the extent that any part of the Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.02), the figures in these columns 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 part of the principal amount of the Loan pursuant to Section 2.05 (b) of the Loan Regulations or on the redemption of any Bond prior to its maturity pursuant to Section 6.16 of the Loan Regulations:

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than 5 years before maturity . . .	$\frac{1}{2}$ of 1%
More than 5 years but not more than 10 years before maturity	1%
More than 10 years before maturity	2%

SCHEDULE 2**Description of the Project**

The project consists of:

- (a) The completion of a highway of about 300 km between Guatemala City and Puerto Barrios, with a 5 km branch to Santo Tomás. The highway will be constructed as a two-lane, all-weather highway with asphaltic concrete paving and the necessary structures. A bridge across the Motagua River to connect with the side road to Zacapa will be constructed.
- (b) The construction of a highway of about 75 km between Coatepeque and the Mexican border, and a highway of about 60 km between Taxisco and the Salvadorean border. Both highways will be constructed as two-lane, all-weather highways with asphaltic concrete paving and the necessary structures.
- (c) The execution of a three-year program for improvement of the existing highways of the Borrower. The program includes the reorganization of the Maintenance Division of the Highway Department of the Borrower, in order to provide an establishment capable of effectively maintaining the entire highway system of the Borrower, having the necessary central and regional workshops, and the necessary road maintenance equipment. The program also includes the training abroad of personnel of the Department.