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A.I.D. LOAN No. 596-L-014 ✓

ALLIANCE FOR PROGRESS
LOAN AGREEMENT
BETWEEN THE
CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION
AND THE
UNITED STATES OF AMERICA
FOR
HIGHWAY INFRASTRUCTURE

2-25-73

LOAN AGREEMENT dated February 28, 1973, between the CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION ("Borrower") and the UNITED STATES OF AMERICA, acting through the AGENCY FOR INTERNATIONAL DEVELOPMENT ("AID"). Borrower and AID declare that this Agreement is made in the spirit and for the objectives of the Alliance for Progress and this will guide them in interpreting and carrying out the Agreement and all related transactions.

ARTICLE I

The Loan

SECTION 1.01. The Loan. AID agrees to lend to Borrower in furtherance of the Alliance for Progress and pursuant to the Foreign Assistance Act of 1961, as amended, an amount not to exceed twenty-five million United States Dollars (\$ 25,000,000) ("Loan") to assist Borrower in carrying out the Program referred to in Section 1.02 ("Program"). The Loan shall be used exclusively to finance United States dollar costs ("Dollar Costs") and Central American costs ("Local Currency Costs") of goods and services required for the Program. The aggregate amount of disbursements under the Loan is hereinafter referred to as "Principal".

SECTION 1.02. The Program. The Program consists of providing additional resources to CABEL to permit it to continue financing the Central American Regional Highway System. CABEL would utilize these resources to extend long term loans to member governments for the construction and improvement of eligible highway

projects. The AID Loan would finance dollar and local costs of engineering and construction services.

CABEI has presented an illustrative list of six projects for financing costing \$ 31.25 million. Two of the projects consist of major improvements to the Interamerican Highway and the other four will open up major agricultural areas of regional importance and will be major highways of the future. All projects were originally recommended in the Central American Transportation Study 1964-1965 and have been subjected to either feasibility or pre-feasibility studies.

The Program is more fully described in Annex I, attached hereto, which Annex may be modified in writing within the scope of the Program as set forth in this section by Implementation Letters issued by authorized representatives of AID, and approved in writing by authorized representatives of Borrower.

ARTICLE II

Loan Terms

SECTION 2.01. Interest. Borrower shall pay to AID interest which shall accrue at the rate of two percent (2%) per annum for ten years following the date of the first disbursement hereunder and at the rate of three percent (3%) per annum thereafter on the outstanding balance of Principal and on any due and unpaid interest. Interest on the outstanding balance shall accrue from the date of each respective disbursement as such date is defined in Section 7.04

and shall be computed on the basis of a 365-day year. Interest shall be payable semi-annually. The first payment of interest shall be due and payable no later than six (6) months after the first disbursement hereunder, on a date to be specified by AID.

SECTION 2.02. Repayment. Borrower shall repay to AID the Principal within forty years from the date of the first disbursement hereunder in sixty-one (61) approximately equal semi-annual installments of Principal and interest. The first installment of Principal shall be payable nine and one-half ($9\frac{1}{2}$) years after the date on which the first interest payment is due in accordance with Section 2.01. AID shall provide Borrower with an amortization schedule in accordance with this Section after the final disbursement under the Loan.

SECTION 2.03. Application, Currency and Place of Payment. All payments of interest and Principal hereunder shall be made in United States Dollars and shall be applied first to the payment of interest due and then to the repayment of Principal. Except as AID may otherwise specify in writing, all such payments shall be made to the Agency for International Development, Washington, D. C. - 20523, U. S. A., Attention Cashier, and shall be deemed made when received by the Office of the Cashier.

SECTION 2.04. Prepayment. Upon payment of all interest and refunds then due, Borrower may prepay, without penalty, all or part of the Principal. Unless AID otherwise agrees in writing, such prepayment shall be applied to the installments of Principal in the inverse order of their maturity.

ARTICLE III

Conditions Precedent to Disbursement

SECTION 3.01. Conditions Precedent to Initial Disbursement. Prior to the first disbursement or to the issuance of any commitment documents under the Loan, except as AID may otherwise agree in writing, Borrower shall furnish to AID in form and substance satisfactory to AID:

(a) An opinion of legal counsel acceptable to AID that this Agreement has been duly authorized and/or ratified by, and executed on behalf of, the Borrower, and that it constitutes a valid and legally binding obligation of Borrower in accordance with all of its terms;

(b) A statement of the name and a specimen signature for each of the persons holding or acting in the office of Borrower specified in Section 9.02;

(c) Evidence that arrangements have been made for additional capital for the Fund by the Member Countries, not less than the equivalent of \$6,250,000 for the Program.

(d) Evidence of the arrangements for the Member Countries to pay their respective contribution to the Fund.

(e) A revised and current detailed statement of any changes in the standards, policies and procedures presented pursuant to AID Loan Agreement 596-L-008 Section 3.01 (c) to be followed by Borrower in the administration of the Fund.

(f) A detailed outline, developed in consultation with the Central American Common Market Secretariat ("SIECA"), indicating that the individual sub-projects have priority for financing with the proceeds of this Loan.

SECTION 3.02. Conditions Precedent to Signing of Subloans.

(a) Borrower shall, in form and substance satisfactory to AID and prior to the signing of each subloan agreement or modification thereof, financed hereunder:

(i) Has found the project to be economically justified and technically sound and feasible after an objective and comprehensive appraisal of the subproject; and

(ii) Has received a subproject execution plan and country maintenance program prepared by the sub-borrower.

(iii) For all subprojects leading directly to or from a national border has received evidence that (a) appropriate arrangements have been made to provide adequate customs and immigration facilities, and (b) the sub-borrower has initiated any other steps necessary, including legislative approval, to ensure the establishment of an operational border point of entry/exit upon completion of the sub-project.

(iv) Has obtained from the Member Country Applicant a statement that the Member Country agrees to a covenant in the sub-loan agreement that the effect of the subproject upon the natural environment shall be taken into consideration prior to, during, and after the implementation of the project, and that Borrower and the Member Country shall cooperate to minimize any harmful effects upon the environment.

(b) Borrower, prior to the signing of each sub-loan agreement or modification thereof, agrees to provide AID sufficient time and adequate documentation to review the proposed sub-loan and to receive AID's written comments or approval thereof.

(c) Unless AID otherwise agrees in writing, Borrower shall not approve any sub-loans to any sub-borrower who, having received previous financing from Borrower for a highway project directly leading to or from a national border, does not maintain border point of entry/exit on such highway until steps necessary to establish an operational border point of entry/exit have been initiated.

(d) Except as AID may otherwise agree in writing, all initial sub-loans agreements for highways to be financed under this Loan shall be signed within 18 months from the date of signing of this Loan Agreement. The time limitation of this condition does not affect amendments to sub-loans under this Loan or previous AID integration loans.

SECTION 3.03. Terminal Dates for Meeting Conditions Precedent to Disbursement. If all of the conditions specified in Section 3.01 shall not have been met within 120 days from the date of this Agreement, or such later date as AID may agree to in writing, AID, at its option, may terminate this Agreement by giving written notice to Borrower. Upon the giving of such notice, this Agreement and all obligations of the parties hereunder shall terminate.

SECTION 3.04. Notification of Meeting of Conditions Precedent to Disbursement. AID shall notify Borrower upon determination by AID that the conditions precedent to disbursement specified in Section 3.01 have been met.

ARTICLE IV

General Covenants and Warranties

SECTION 4.01. Execution of the Program.

(a) Borrower shall carry out the Program with due diligence and efficiency and in conformity with sound banking, engineering, financial, accounting and administrative practices;

(b) As appropriate for the particular Sub-Project, Borrower shall ensure that the Sub-Borrowers employ suitably qualified engineering or technical consultants and construction contractors who have the financial, technical and managerial capacity to successfully execute the Sub-Project;

(c) Borrower shall cause Sub-Projects to be carried out in conformity with all of the Sub-Loan applications and agreements, financial plans, specifications, contracts, schedules, and other arrangements, and with all modification thereto, which have been approved pursuant to this Agreement.

SECTION 4.02. Continuing Consultation. Borrower and AID shall cooperate fully to assure that the purpose of the Loan will be accomplished. To this end, Borrower and AID shall from time to time, at the request of either party, exchange views through their representatives with regard to the progress of the Program, the performance by Borrower of its obligations under this Agreement, the performance of Sub-Borrowers under Sub-Loan agreements, and other matters relating to the Program.

SECTION 4.03. Management. Borrower shall provide qualified and experienced management for administration of activities financed by the Loan,

and shall train such staff as may be appropriate for the continuance of such administration.

SECTION 4.04. Non-Taxation.

(a) Borrower will pay or cause to be paid, from resources other than Loan Funds, all taxes or fees that may be imposed under laws in effect within any Member Country in connection with the delivery or registration of this Loan Agreement or the repayment of Principal or payment of interest thereunder.

(b) Unless AID otherwise agrees in writing, the proceeds of this Loan shall not be used to pay identifiable taxes, tariffs, duties and other levies imposed under laws in effect in the Member Country or Countries in which the Sub-Project is being carried out ("Identifiable Taxes"). This subsection in no way will prevent Member Countries from charging or collecting Identifiable Taxes in effect within the Member Countries. If, however, a Member Country charges any Identifiable Taxes, Borrower will either subtract the estimated amount of such taxes from the estimated costs of the Sub-Project otherwise eligible for Fund financing, with the resulting figure to be the maximum amount of the Sub-Loan for such Sub-Project, or will pay or reimburse the same with other than Loan Funds.

SECTION 4.05. Utilization of Goods and Services.

(a) Goods and services financed under the Loan shall be used exclusively for the Program, except as AID and Borrower may otherwise agree in writing. Upon completion of a Sub-Project, or at such other time as goods financed under the Loan can no longer usefully be employed for the Sub-Project,

the Sub-Borrower may use or dispose of such goods in such manner as AID and Borrower may agree to in writing prior to such use or disposition.

(b) Except as AID may otherwise agree in writing, no goods or services financed under the Loan shall be used to promote or assist any foreign aid project or activity associated with or financed by any country not included in Code 935 of the AID Geographic Code Book as in effect at the time of such use.

SECTION 4.06. Disclosure of Material Facts and Circumstances.

Borrower represents and warrants that all facts and circumstances that it has disclosed or caused to be disclosed to AID in the course of obtaining the Loan are accurate and complete, and that it has disclosed to AID, accurately and completely, all facts and circumstances that might materially affect the Program and the discharge of its obligations under this Agreement. Borrower shall promptly inform AID of any facts and circumstances that may hereafter arise that might materially affect, or that it is reasonable to believe might materially affect, the Program or the discharge of Borrower's obligations under this Agreement.

SECTION 4.07. Commissions, Fees and Other Payments.

(a) Borrower warrants and covenants that in connection with obtaining the Loan, or taking any action under or with respect to this Agreement, it has not paid, and will not pay or agree to pay, nor to the best of its knowledge has there been paid nor will there be paid or agreed to be paid by any other person or entity, commissions, fees or other payments of any kind, except as regular

compensation to Borrower's full time officers and employees or as compensation for bona fide professional, technical or comparable services. Borrower shall promptly report to AID any payment or agreement to pay for such bona fide professional, technical or comparable services to which it is a party or of which it has knowledge (indicating whether such payment has been made or is to be made on a contingent basis), and if the amount of any such payment is deemed unreasonable by AID, the same shall be adjusted in a manner satisfactory to AID.

(b) Borrower warrants and covenants that no payments have been or will be received by Borrower, or any official of Borrower, in connection with the procurement of goods and services financed hereunder, except fees, taxes or similar payments legally established in the Member Countries.

SECTION 4.08. Maintenance and Audit of Records. Borrower shall maintain, or cause to be maintained, and shall cause Sub-Borrowers to maintain, in accordance with sound accounting principles and practices consistently applied, books and records relating to the Program, to Sub-Projects and to this Agreement. Such books and records of Borrower and of Sub-Borrowers shall, without limitation, be adequate to show for each Sub-Project:

(a) The receipt and use made of goods and services acquired with funds disbursed pursuant to this Agreement;

(b) The nature and extent of solicitations of prospective suppliers of goods and services acquired;

(c) The basis of the award of contracts and orders to successful bidders;
and

(d) The progress of the Sub-Project.

Such books and records of both Borrower and Sub-Borrowers shall be regularly audited, in accordance with sound auditing standards, for such period and at such reasonable intervals as AID and Borrower may require, and shall be maintained for five years after the date of the last disbursement by AID or until all sums due AID under this Agreement have been paid, whichever date shall first occur.

SECTION 4.09. Audited Financial Statements. Borrower shall submit to AID, at the end of each fiscal year, its financial statements audited by an independent accounting firm acceptable to AID.

SECTION 4.10. Reports. Borrower shall furnish to AID such information and reports relating to the Loan, the Program and the Sub-Projects as AID may request.

SECTION 4.11. Inspections. The authorized representatives of AID shall have the right at all reasonable times to inspect Sub-Projects, the utilization of all goods and services financed under the Loan, and Borrower's books, records and other documents relating to the Program and the Loan. Borrower shall cooperate with AID to facilitate review of the operations of Borrower and Sub-Borrowers.

ARTICLE V

Special Covenants and Warranties

SECTION 5.01. Ratio of Commitment and Disbursement of Loan Funds. Except as AID may otherwise agree in writing, Borrower shall commit and disburse loan funds to sub-projects at a ratio of not greater than eighty percentum

(80%) of loan funds to twenty percentum (20%) of the Member Countries contribution.

SECTION 5.02. Member Country Contributions. Borrower covenants that Member Country Contributions to the Fund shall be freely available for all aspects of the Program.

SECTION 5.03. Consultation with Regional Institutions. Borrower agrees to continue to work in coordination with other regional institutions (i) to strengthen Member Country highway maintenance programs, (ii) to improve border crossing procedures, including effective measures which will reduce the time and costs of such crossings, and (iii) for the adoption of regional highway standards and weight controls.

SECTION 5.04. Covenants Concerning Member Country Highway Maintenance Programs. Borrower shall maintain in each subloan agreement covenants satisfactory to AID concerning Member Country highway maintenance programs, budgeting and execution capabilities of Highway Departments including acceptance of Borrower financed consultation services if required.

SECTION 5.05. Reports on Progress of Program. Borrower will submit to AID, one year after meeting the conditions to initial disbursement and annually thereafter until the Loan is fully disbursed, a report on the actual progress of the program and an evaluation of its economic impact. Borrower also agrees to furnish to AID such evaluations of the economic impact of highways constructed with AID Loan Funds as AID may request during a five year period after final disbursement under the Loan.

SECTION 5.06. Research to Determine Methods for Increased Labor Input in Road Construction. With a view toward achieving maximum employment in road construction in Central America, Borrower covenants that it shall, using funds other than loan funds or its contribution to the program, undertake a research project to determine the circumstances under which increased degrees of labor input relative to capital can be practically achieved in road construction in Central America consistent with sound technical criteria and acceptable costs. Borrower further covenants to submit the results of its findings to AID within one year from the date of signing of the Loan Agreement and, thereafter, to consult with AID on ways and means of undertaking a pilot project to test the research results and implementation proposals if such a pilot project is agreed by the parties to be feasible.

SECTION 5.07. Disbursement of Local Currency Payments. Borrower shall disburse local currency payments to Sub-Projects in such a manner that the entire Member Countries contribution is disbursed prior to the disbursement of loan funds for local currency financing.

ARTICLE VI

Procurement

SECTION 6.01. Eligible Procurement. Except as AID may otherwise agree in writing, and except as provided in subsection 6.07 (c) with respect to marine insurance, disbursements made pursuant to Section 7.01 shall be used exclusively to finance the procurement for the Project of goods and services having their source and origin in countries included in Code 941 of the AID Geographic

Code Book as in effect at the time orders are placed or contracts are entered into for such goods and services, except for the countries of Central America ("Eligible Goods and Services"). It is expressly agreed that surety bonds in connection with procurement under this loan shall be considered as Eligible Services within the meaning of this Agreement. Except as AID may otherwise agree in writing, all ocean shipping financed under the Loan shall have both its source and origin in countries included in Code 941 of the AID Geographic Code Book as in effect at the time of shipment, except for the countries of Central America.

SECTION 6.02. Procurement from Central America. Except as AID may otherwise agree in writing, disbursements made pursuant to Section 7.02 shall be used exclusively to finance the procurement for the Project of goods and services having both their source and origin in the countries of Central America.

SECTION 6.03. Eligibility Date. Except as AID may otherwise agree in writing, no goods or services may be financed under the Loan which are procured pursuant to orders or contracts firmly placed or entered into prior to the date of the Agreement.

SECTION 6.04. Goods and Services Not Financed Under the Loan. Goods and services procured for the Program, but not financed under the Loan, shall have their source and origin in countries included in Code 935 of the AID Geographic Code Book as in effect at the time orders are placed for such goods and services.

SECTION 6.05. Implementation of Procurement Requirement. The definitions applicable to the eligibility requirements of Sections 6.01, 6.02 and 6.04 will be set forth in detail in Implementation Letters.

SECTION 6.06. Reasonable Price. No more than reasonable prices shall be paid for any goods or services financed in whole or in part under the Loan. Such items shall be procured on a fair and, except for professional services, on a competitive basis. Reasonable prices should normally approximate the lowest competitive prices (except for professional services) for such goods or services procured; operating costs; quality, time and cost of delivery; terms of payment, and other factors considered.

SECTION 6.07. Shipping and Insurance.

(a) Eligible Goods financed under the Loan shall be transported to Central America on flag carriers of any country included in Code 935 of the AID Geographic Code Book as in effect at the time of shipment.

(b) At least fifty percent (50%) of the gross tonnage of all Eligible Goods financed under the Loan (computed separately for dry bulk carriers, dry cargo liners, and tankers) which shall be transported on ocean vessels shall be transported on privately owned United States flag commercial vessels unless AID shall determine that such vessels are not available at fair and reasonable rates for United States flag commercial vessels. In addition, at least fifty percent (50%) of the gross freight revenue generated by all shipments financed under the Loan and transported on dry cargo liners shall be paid to or for the benefit of privately-owned United States flag commercial vessels, unless AID shall determine that such vessels are not available at fair and reasonable rates for

United States flag commercial vessels. No goods financed under the Loan may be transported on any ocean vessel or aircraft (i) which AID, in a notice to Borrower, has designated as ineligible to carry AID-financed goods or (ii) which has been chartered for the carriage of AID-financed goods unless such charter has been approved by AID.

(c) Marine insurance on Eligible Goods may be financed under the Loan with disbursements made pursuant to Section 7.01 or 7.02 provided (i) such insurance is placed at the lowest available competitive rate in the countries of Central America or in a country included in Code 941 of the AID Geographic Code Book as in effect at the time of placement, and (ii) claims thereunder are payable in a freely convertible currency. If in connection with the placement of marine insurance on shipments financed under United States legislation authorizing assistance to other nations, any Central American country, by statute, decree, rule or regulation, favors any marine insurance company of any country over any marine insurance company authorized to do business in any state of the United States of America, Eligible Goods financed under the loan shall during the continuance of such discrimination be insured against marine risk in the United States of America with a company or companies authorized to do a marine insurance business in any state of the United States of America.

(d) Borrower shall, through sub-loan agreements, cause to be insured, all Eligible Goods financed under the Loan against risks incident to their transit to the point of their use in the Program. Such insurance shall be

issued upon terms and conditions consistent with sound commercial practice, shall insure the full value of the goods, and shall be payable in the currency in which such goods were financed or in any freely convertible currency. Any indemnification received by Borrower under such insurance shall be used to replace or repair any material damage or any loss of the goods insured or shall be used to reimburse Borrower for the replacements or repair of such goods. Any such replacements shall have their source and origin in the countries of Central America or in countries included in Code 941 of the AID Geographic Code Book as in effect at the time orders are placed or contracts are entered into for such replacements, and shall be otherwise subject to the provisions of this Agreement.

SECTION 6.08. Notification to Potential Suppliers. In order that all United States firms shall have the opportunity to participate in furnishing goods and services to be financed under the Loan, Borrower shall furnish to AID such information with regard thereto, and at such times, as AID may request in Implementation Letters.

SECTION 6.09. Information and Marking. Borrower shall give publicity to the Loan and the Project as a program of United States aid in furtherance of the Alliance for Progress, and so identify Project activities and sites, and mark goods financed under the Loan, as prescribed in Implementation Letters.

ARTICLE VII

Disbursements

SECTION 7.01. Disbursement for United States Dollar Costs - Letters of Commitment to United States Banks. Upon satisfaction of conditions precedent,

Borrower may, from time to time, request AID to issue Letters of Commitment for specified amounts to one or more United States banks, satisfactory to AID, committing AID to reimburse such bank or banks for payments made by them to contractors or suppliers, through the use of Letters of Credit or otherwise, for Dollar Costs of goods and services procured for the Program in accordance with the terms and conditions of this Agreement. Payment by a bank to a contractor or supplier will be made by the bank upon presentation of such supporting documentation as AID may prescribe in Letters of Commitment and Implementation Letters. Banking charges incurred in connection with Letters of Commitment and Letters of Credit shall be for the account of Borrower, may be transferred to Sub-Borrowers and may be financed under the Loan.

SECTION 7.02. Disbursement for Local Currency Costs. Upon satisfaction of conditions precedent, Borrower may, from time to time, request disbursement by AID of local currency for Local Currency Costs of goods and services procured for the Program in accordance with the terms and conditions of this Agreement by submitting to AID such supporting documentation as AID may prescribe in Implementation Letters. AID shall make such disbursements from local currency of the Member Countries owned by the United States Government and that obtained by AID with United States dollars after signing of this Agreement. The United States dollar equivalent of the local currency made available hereunder will be the amount of U.S. dollars required by AID to obtain the local currency.

SECTION 7.03. Other Forms of Disbursement. Disbursement of the Loan may also be made through such other means as Borrower and AID may agree to in writing.

SECTION 7.04. Date of Disbursement. Disbursements by AID shall be deemed to occur, (a) in the case of disbursements pursuant to Section 7.01, on the date on which AID makes a disbursement to Borrower, its designee, or a banking institution pursuant to a Letter of Commitment and (b) in the case of disbursements pursuant to Section 7.02, on the date on which AID disburses the local currency to the Borrower or its designee.

SECTION 7.05. Terminal Date for Disbursement. Except as AID may otherwise agree in writing, no Letter of Commitment or other commitment documents or amendment thereto shall be issued in response to requests received by AID after December 31, 1976, and no disbursement shall be made against documentation received by AID or any bank described in Section 7.01 after June 30, 1977. AID at its option may at any time or times after June 30, 1977 reduce the Loan by all or any part thereof for which documentation was not received by such date.

ARTICLE VIII

Cancellation and Suspension

SECTION 8.01. Cancellation by Borrower. Borrower may, with the prior written consent of AID, by written notice to AID, cancel any part of the Loan (i) which, prior to the giving of such notice, AID has not disbursed or committed itself to disburse, or (ii) which has not then been utilized through the issuance of irrevocable Letters of Credit.

SECTION 8.02. Events of Default; Acceleration. If any one or more of the following events ("Events of Default") shall occur:

(a) Borrower shall have failed to pay when due any interest or installment of Principal required under this Agreement;

(b) Borrower shall have failed to comply with any other provision of the Agreement, including, but without limitation, the obligation to carry out the Project with due diligence and efficiency; or

(c) Borrower shall have failed to pay when due any interest or any installment of Principal or any other payment required under any other loan agreement, any guaranty agreement, or any other agreement between Borrower and AID or any of its predecessor agencies;

then AID may, at its option, give to Borrower notice that all or any part of the unrepaid Principal shall be due and payable sixty (60) days thereafter. Unless the Event of Default is cured within such sixty days:

(i) such unrepaid Principal and any accrued interest hereunder shall be due and payable immediately; and

(ii) the amount of any further disbursements made under then outstanding irrevocable Letters of Credit or otherwise shall become due and payable as soon as made.

SECTION 8.03. Suspension of Disbursement. In the event that at any time:

(a) An Event of Default has occurred;

(b) An event occurs that AID determines to be an extraordinary situation that makes it improbable either that the purpose of the Loan will be attained or that Borrower will be able to perform its obligations under this Agreement;

(c) Any disbursement by AID would be in violation of the legislation governing AID;

(d) Borrower shall have failed to pay when due any interest or any installment of Principal or any other payment required under any other loan agreement, any guaranty agreement, or any other agreement between Borrower and the Government of the United States or any of its agencies; or

(e) Satisfactory progress is not being made in carrying out all or part of the Program according to the terms of this Agreement;

Then AID may at its option:

(i) Suspend or cancel outstanding commitment documents to the extent that they have not been utilized through the issuance of irrevocable Letters of Credit or through bank payments made other than under irrevocable Letters of Credit, in which event AID shall give notice to Borrower promptly thereafter;

(ii) decline to make disbursements other than under outstanding commitment documents;

(iii) decline to issue additional commitment documents;

(iv) at AID expense, direct that title to goods financed under the Loan shall be transferred to AID if the goods are from a source outside Central America, are in a deliverable state and have not been offloaded in ports of entry of Central America. Any disbursement made or to be made under the Loan with respect to such transferred goods shall be deducted from Principal.

SECTION 8.04. Cancellation by AID. Following any suspension of disbursements pursuant to Section 8.03, if the cause or causes for such suspension

of disbursement shall not have been eliminated or corrected within sixty (60) days from the date of such suspension, AID may, at its option, at any time or times thereafter, cancel all or any part of the Loan that is not then either disbursed or subject to irrevocable Letters of Credit.

SECTION 8.05. Continued Effectiveness of Agreement. Notwithstanding any cancellation, suspension of disbursement, or acceleration of repayment, the provisions of this Agreement shall continue in full force and effect until the payment in full of all Principal and any accrued interest hereunder.

SECTION 8.06. Refunds.

(a) In case of any disbursement not supported by valid documentation in accordance with the terms of this Agreement, or of any disbursement not made or used in accordance with the terms of this Agreement, AID notwithstanding the availability or exercise of any of the other remedies provided for under this Agreement, may require Borrower to refund such amount in United States dollars to AID, within thirty days after receipt of a request therefor. Such amount shall be made available first for the cost of goods and services procured for the Program hereunder, to the extent justified, the remainder, if any, shall be applied to the installments of Principal in the inverse order of their maturity and the amount of the Loan shall be reduced by the amount of such remainder. Notwithstanding any other provision in this Agreement, AID's right to require a refund with respect to any disbursement under the Loan shall continue for five years following the date of such disbursement.

(b) In the event that AID receives a refund from any contractor, supplier or banking institutions, or from any other third party connected with the Loan, with respect to goods or services financed under the Loan, and such refund relates to an unreasonable price for goods or services, or to goods that did not conform to specifications, or to services that were inadequate, AID shall first make such refund available for the cost of goods and services procured for the Program hereunder, to the extent justified, the remainder to be applied to the installments of Principal in the inverse order of their maturity and the amount of the Loan shall not be reduced by the amount of such remainder.

SECTION 8.07. Expenses of Collection. All reasonable costs incurred by AID, other than salaries of its staff, in connection with the collection of any refund or in connection with amounts due AID by reason of the occurrence of any of the events specified in Section 8.02 may be charged to Borrower and reimbursed to AID in such manner as AID may specify.

SECTION 8.08. Nonwaiver of Remedies. No delay in exercising or omission to exercise any right, power, or remedy accruing to AID under this Agreement shall be construed as a waiver of any such rights, powers, or remedies.

ARTICLE IX

Miscellaneous

SECTION 9.01. Communications. Any notice, request, document or other communication given, made or sent by Borrower or AID pursuant to this Agreement shall be in writing or by telegram, cable or radiogram and shall be

deemed to have been duly given, made or sent to the party to which it is addressed when it shall be delivered to such party by hand or by mail, telegram cable or radiogram at the following addresses:

TO BORROWER:

Mail Address: Banco Centroamericano de Integración
Económica
Apartado Postal No. 772
Tegucigalpa, D. C.
Honduras, C. A.

Cable Address: BANCADIE
Tegucigalpa

TO AID:

Mail Address: Regional Office for Central America
and Panama
Edificio Galería España
Plazuela España, Zona 9
Guatemala, Guatemala, C. A.

Cable Address: ROCAP
Amembassy, Guatemala

Other addresses may be substituted for the above upon the giving of notice. All notices, requests, communications and documents submitted to AID hereunder shall be in English or shall be accompanied by an English translation, except as AID may otherwise agree in writing.

SECTION 9.02. Representatives. For all purposes relative to this Agreement, Borrower will be represented by the individual holding or acting in the office of the President of Borrower and AID will be represented by the individual holding or acting in the office of the Director of ROCAP. Such individuals shall

have the authority to designate additional representatives by written notice. In the event of any replacement or other designation of a representative hereunder, Borrower shall submit a statement of the representative's name and a specimen signature in form and substance satisfactory to AID. Until receipt by AID of written notice of revocation of the authority of any of the duly authorized representatives of Borrower designated pursuant to this section, it may accept the signature of any such representative or representatives on any instrument as conclusive evidence that any action effected by such instrument is duly authorized.

SECTION 9.03. Implementation Letters. AID shall from time to time, after consultation with Borrower, issue Implementation Letters that will set forth the procedures applicable hereunder in connection with the implementation of this Agreement.

SECTION 9.04. Promissory Notes. At such time or times as AID may request, Borrower shall issue promissory notes or such other evidence of indebtedness with respect to the Loan, in such form, containing such terms and supported by such legal opinions as AID may reasonably request.

SECTION 9.05. Termination Upon Full Payment. Upon payment in full of the Principal and of any accrued interest, this Agreement and all obligations of Borrower and AID under this Loan Agreement shall terminate.

SECTION 9.06. Effective Date. This Agreement shall enter into effect on the date and year indicated at the beginning of this Agreement.

IN WITNESS WHEREOF, Borrower and the United States of America,
each acting through its respective duly authorized representative, have caused
this Agreement to be signed in their names and delivered as of the day and year
first above written.

THE CENTRAL AMERICAN BANK
FOR ECONOMIC INTEGRATION

Original signed by
By: Dr. Enrique Ortez Colindres
Enrique Ortez Colindres

Title: President

UNITED STATES OF AMERICA

Original signed by
By: Mr. Oliver L. Sause
Oliver L. Sause

Title: Director
Regional Office for Central
America and Panama

PROGRAM DESCRIPTION

The Program calls for the financing of high priority highways projects in Central America. CABEI has presented an illustrative list of six projects for financing costing \$ 31.25 million. All are projects or segments of road projects recommended originally in the Central American Transportation Study 1964-65.

1. Morales/San Felipe/Modesto Méndez - Guatemala - CA-13.

The project consists of paving 68.3 kilometers of a two-lane highway linking San Felipe and the river port of Modesto Méndez with CA-9 at Morales. Total Cost \$ 3.5 million.

2. San Salvador/Rfo Lempa - El Salvador - CA-1.

The project consists of the relocation, improvement and paving of 82 kilometers of a two-lane segment of the Interamerican Highway. Total Cost \$ 6.3 million.

3. La Ceiba/Elxir - Honduras - CA-13.

The project consists of reconstruction of 38 kilometers, new construction of 37 kilometers and paving of all 75 kilometers of the regional highway CA-13 linking Elxir with La Ceiba. Total Cost \$ 8.5 million.

4. Las Mercedes/San Benito - Nicaragua - CA-1.

The project consists of the relocation and paving of 22 kilometers of the Inter-American Highway between Las Mercedes, outside of Managua, and San Benito. Total Cost \$ 3.0 million.

5. Acoyapa/Km. 60 - Nicaragua.

The project consists of the construction of 65 kilometers of a new all-weather road from Acoyapa to the Teperaguzapán River along the north coast of Lake Nicaragua. Total Cost \$ 4.0 million.

6. Agujez/Loma - Costa Rica.

The project consists of constructing a 47 kilometer segment of all-weather road forming part of the Southern Coastal Highway which serves as an alternate route to the Interamerican Highway between Espartero and Palma Sur. Total Cost \$ 5.95 million.

Prefeasibility or feasibility studies have been carried out on all projects and it is estimated that final plans for all projects will be completed by December 1973. A list of eight alternative projects costing \$ 27.60 million was also presented for financing by CABEL. Any project not approved, or which cannot be finalized in a timely manner will be eliminated and an alternative selected.

Design plans and specifications will be reviewed and approved, and construction of the highways will be supervised, by independent consulting engineers. Approval will be necessary for all bidding documents, awards and contract documents. Maintenance programs, and evidence of budget support for maintenance will be required from each sub-borrower. Covenants will require that environmental considerations will be taken into account in the planning and execution of each sub-project.

CABEL will be responsible for financial supervision and disbursement operations as well as design and construction controls.