
LOAN NUMBER 254 CR

Loan Agreement

(Industrial Equipment Project)

BETWEEN

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

AND

BANCO CENTRAL DE COSTA RICA

DATED MAY 4, 1960

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AGREEMENT, dated May 4, 1960, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and BANCO CENTRAL DE COSTA RICA (hereinafter called the Borrower).

WHEREAS by a Loan Agreement (Capital Goods Importation Credit Program) dated September 13, 1956 between the Bank and the Borrower (hereinafter called the First Loan Agreement) the Bank agreed to lend to the Borrower an amount in various currencies equivalent to three million dollars (\$3,000,000) to assist in the financing of a program for the encouragement of imports of capital goods needed by private enterprise to develop agricultural production and light industries in the territories of the Guarantor by extension of credit through the national banking system;

WHEREAS by a Loan Agreement (Second Import Credit Program) dated February 11, 1959 between the Bank and the Borrower (hereinafter called the Second Loan Agreement) the Bank agreed to lend to the Borrower an amount in various currencies equivalent to three million five hundred thousand dollars (\$3,500,000) to assist in the continuation of such program; and

WHEREAS the Borrower has requested the Bank to assist in the continuation of that part of such program pertaining to the encouragement of imports of capital goods needed by private enterprise to develop industries in the territories of the Guarantor;

Now THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Loan Regulations; Special Definitions

SECTION 1.01. The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated June 15, 1956, subject, however, to the modifications thereof set forth in Schedule 2 to this Agreement

(said Loan Regulations No. 4 as so modified being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

SECTION 1.02. Wherever used in this Loan Agreement, unless the context shall otherwise require, the following terms shall have the following meanings:

1. The term "Commercial Bank" shall mean each of the commercial banks in the territories of the Guarantor in whose favor the Borrower shall have established lines of credit for the use of the proceeds of the Loan, pursuant to Section 3.01 of this Agreement.

2. The term "Investment Enterprise" shall mean a private enterprise to which a Commercial Bank shall have granted a credit as provided in Section 3.01 of this Agreement.

3. The term "Investment Proposal" shall mean a specific industrial proposal to be carried out by an Investment Enterprise as it shall be approved in writing by the Bank.

Words importing the singular number include the plural number and *vice versa*.

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 two million dollars (\$2,000,000).

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. Subject to the provisions of Section 3.02 of this Agreement, 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. Such commitment charge shall accrue from a date sixty days after the date of this Agreement to the respective dates on which amounts shall be withdrawn by the Borrower from the Loan Account as provided in Article IV of the Loan Regulations or shall be cancelled pursuant to Article V of the Loan Regulations.

SECTION 2.04. 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 2.05. Except as the Bank and the Borrower 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 April 1 and October 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

Description of Project; Use of Proceeds of the Loan

SECTION 3.01. The Loan is designed to assist in the financing of the Borrower's program for the importation

of industrial equipment and other goods needed by private enterprise to develop industries in the territories of the Guarantor. Accordingly, the Bank shall make available to the Borrower monies, in currencies other than the currency of the Guarantor, to assist in the financing of the importation of such goods. The Borrower will in turn establish lines of credit in favor of the Commercial Banks in aggregate amounts equivalent to the amount of the Loan, repayable on or before April 1, 1972, to finance the purchase and importation, by private enterprise of industrial equipment and other goods required for Investment Proposals. The Commercial Banks will in turn for the same purposes grant, out of such lines of credit, credits of not less than five thousand dollars (\$5,000) each to private enterprises engaged or proposing to engage in industrial activities in the territories of the Guarantor.

SECTION 3.02. (a) The proceeds of the Loan shall be applied exclusively to the cost, in currencies other than the currency of the Guarantor, of imported goods required for the carrying out of Investment Proposals.

(b) Notwithstanding the provisions of Section 4.03 of the Loan Regulations and except as the Bank and the Borrower shall otherwise agree, no withdrawals shall be made on account of expenditures made for any Investment Proposal unless and until the Bank shall have notified the Borrower in writing of the approval, by the Bank, of such Investment Proposal.

(c) Notwithstanding the provisions of Section 4.01 of the Loan Regulations and except as the Bank and the Borrower shall otherwise agree, no withdrawals shall be made on account of expenditures made for an Investment Proposal more than sixty days prior to the submission of such Investment Proposal to the Bank for approval.

SECTION 3.03. (a) Whenever the Borrower shall desire to submit an Investment Proposal to the Bank for approval, the Borrower shall submit to the Bank an application, in

form satisfactory to the Bank, containing a description of such Investment Proposal and such other information as the Bank shall reasonably request.

(b) Except as the Bank and the Borrower shall otherwise agree, requests for approval of Investment Proposals shall be submitted to the Bank on or before June 30, 1962.

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 *Gerente General* 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(a) of the Loan Regulations.

ARTICLE V

Particular Covenants

SECTION 5.01. The Borrower shall cause the Project to be carried out with due diligence and efficiency and in conformity with sound financial and investment standards and practices.

SECTION 5.02. (a) The Borrower shall exercise and shall cause each Commercial Bank to exercise its rights in relation to Investment Proposals in such manner as to protect the interests of the Bank and the Borrower.

(b) The Borrower undertakes that it will cause any credit granted to an Investment Enterprise for an Investment Proposal, to be granted on terms whereby the Borrower and the Commercial Bank shall obtain, by the written agreement of such Investment Enterprise or other appropriate legal means, rights adequate to protect the interests of the Bank and the Borrower, including the right

to require such Investment Enterprise to carry out and operate the Investment Proposal with due diligence and efficiency and in accordance with sound engineering and financial standards, including the maintenance of adequate records; the right to require that the goods to be financed with the proceeds of the Loan shall be used exclusively in the carrying out of such Investment Proposal; the right of the Bank and the Borrower to inspect such goods and the sites, works and construction included in such Investment Proposal, the operation thereof and any relevant records and documents; the right to require that such Investment Enterprise shall take out and maintain such insurance, against such risks and in such amounts, as shall be consistent with sound business practice, and that, except as the Bank shall otherwise agree, insurance covering marine and transit hazards on the goods financed out of the proceeds of the Loan shall be payable in dollars or in the currency in which the cost of the goods insured thereunder shall be payable; and the right to obtain all such information as the Bank and the Borrower shall reasonably request relating to the foregoing and to the operations and financial condition of such Investment Enterprise. Such rights shall include appropriate provision whereby further access by such Investment Enterprise to use of the proceeds of the Loan may be suspended or terminated by the Borrower upon failure by such Investment Enterprise to carry out the terms of such credit.

SECTION 5.03. (a) The Borrower shall furnish, and shall cause each Commercial Bank to furnish with respect to those matters with which it is involved, to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the Project, the Investment Enterprises, the Investment Proposals and the financial condition and operations of the Borrower.

(b) The Borrower shall maintain, and shall cause each Commercial Bank to maintain or cause to be maintained with respect to those matters with which it is involved, records adequate to record the progress of the Project and of each Investment Proposal (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the financial condition and operations of the Borrower and of each Investment Enterprise. The Borrower shall enable the Bank's representatives to examine such records.

SECTION 5.04. (a) The Bank and the Borrower 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.

(b) The Bank and the Borrower 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.

SECTION 5.05. 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 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 any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property.

SECTION 5.06. The Borrower shall pay or cause to be paid all taxes or fees, if any, imposed under the laws of the Guarantor or laws in effect in the territories of the Guarantor on or in connection with the execution, issue, delivery or registration of this Agreement, the Guarantee Agreement or the Bonds, or the payment of principal, interest or other charges thereunder; 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 Guarantor.

SECTION 5.07. The Borrower shall pay or cause to be paid all taxes and 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 this Agreement, the Guarantee Agreement or the Bonds.

SECTION 5.08. The Borrower shall at all times take all steps necessary to maintain its existence and right to carry on operations and shall, except as the Bank otherwise agree, take all steps necessary to maintain and renew all rights, powers, privileges and franchises which are necessary or useful in the conduct of its business.

ARTICLE VI

Remedies of the Bank

SECTION 6.01. (i) If any event specified in paragraph (a), paragraph (b), paragraph (e), paragraph (f) or pursuant to paragraph (j) 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.

SECTION 6.02. For the purposes of Section 5.02 (j) of the Loan Regulations the following additional events are specified, namely, any event specified or referred to in Section 6.01 of either the First Loan Agreement or the Second Loan Agreement.

ARTICLE VII

Miscellaneous

SECTION 7.01. The Closing Date shall be March 31, 1963.

SECTION 7.02. A date sixty days after the date of this Agreement is hereby specified for the purposes of Section 9.04 of the Loan Regulations.

SECTION 7.03. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations:

For the Borrower:

Banco Central de Costa Rica
San José
Costa Rica

Alternative address for cablegrams and radiograms:

Bancentral
San José

For the Bank:

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

Alternative address for cablegrams and radiograms:

Intbafrad
Washington, D. C.

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.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By [s.] J. BURKE KNAPP
Vice-President

BANCO CENTRAL DE COSTA RICA

By [s.] A. VARGAS E.
Authorized Representative

SCHEDULE 1
Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
April 1, 1963	\$105,000
October 1, 1963	105,000
April 1, 1964	105,000
October 1, 1964	105,000
April 1, 1965	105,000
October 1, 1965	105,000
April 1, 1966	105,000
October 1, 1966	105,000
April 1, 1967	105,000
October 1, 1967	105,000
April 1, 1968	105,000
October 1, 1968	105,000
April 1, 1969	105,000
October 1, 1969	105,000
April 1, 1970	106,000
October 1, 1970	106,000
April 1, 1971	106,000
October 1, 1971	106,000
April 1, 1972	106,000

* 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 this column 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 two years before maturity	$\frac{1}{2}$ of 1%
More than two years but not more than four years before maturity.....	$2\frac{1}{4}\%$
More than four years but not more than eight years before maturity.....	$3\frac{1}{2}\%$
More than eight years but not more than ten years before maturity.....	5%
More than ten years before maturity....	6%

SCHEDULE 2**Modifications of Loan Regulations No. 4**

For the purposes of this Agreement the provisions of Loan Regulations No. 4 of the Bank, dated June 15, 1956, shall be deemed to be modified as follows:

- (a) Section 2.02 is deleted.
- (b) The following new paragraph is added as paragraph (d) of Section 2.05:

“(d) The Bank and the Borrower may from time to time agree upon arrangements for prepayment and the application thereof in addition to, or in substitution for, those set forth in the provisions of paragraph (b) of this Section and of Section 6.16.”
- (c) The first five lines of Section 5.02 are amended to read as follows:

“SECTION 5.02. *Suspension by the Bank.* If any of the following events shall have happened and be continuing, the Bank may at any time or from time to time by notice to the Borrower suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account:”
- (d) The last paragraph of Section 5.02 is amended to read as follows:

“The right of the Borrower to make withdrawals from the Loan Account shall continue to be suspended in whole or in part, as the case may be, until the event or events which gave rise to such suspension shall have ceased to exist or until the Bank shall have notified the Borrower that the right to make withdrawals has been restored, whichever is the earlier; provided, however, that in the case of any such notice of restoration, the right to make withdrawals shall be restored only to the extent

and subject to the conditions specified in such notice, and no such notice shall affect or impair any right, power or remedy of the Bank in respect of any other or subsequent event described in this Section."

- (e) Section 9.03 is amended to read as follows:

"SECTION 9.03. *Effective Date.* Notwithstanding the provisions of Section 8.01 and except as shall be otherwise agreed by the Bank and the Borrower, the Loan Agreement and Guarantee Agreement shall come into force and effect on the date upon which the Bank dispatches to the Borrower and to the Guarantor notice of its acceptance of the evidence required by Section 9.01."

- (f) Paragraph 12 of Section 10.01 is amended to read as follows:

"12. The term 'Project' means the project for which the Loan is granted, as described in Section 3.01 of the Loan Agreement and as the description thereof shall be amended from time to time by agreement between the Bank and the Borrower."

- (g) Paragraph 14 of Section 10.01 is amended to read as follows:

"14. The term 'external debt' means any debt payable in any medium other than currency of the Guarantor, whether such debt is or may become payable absolutely or at the option of the creditor in such other medium."