

Public Disclosure Authorized

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LOAN NUMBER 1570 ES

# Guarantee Agreement

(Third Telecommunications Project)

between

REPUBLIC OF EL SALVADOR

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated June 9, 1978

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Public Disclosure Authorized

**GUARANTEE AGREEMENT**

AGREEMENT, dated June 9, 1978, between REPUBLIC OF EL SALVADOR (hereinafter called the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS by the Loan Agreement of even date herewith between the Bank and Administración Nacional de Telecomunicaciones (hereinafter called the Borrower) the Bank has agreed to make to the Borrower a loan in various currencies equivalent to twenty-three million dollars (\$23,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agree to guarantee the obligations of the Borrower in respect of such loan as hereinafter provided; and

WHEREAS the Guarantor, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed so to guarantee such obligations of the Borrower;

NOW THEREFORE the parties hereto hereby agree as follows:

**ARTICLE I**

**General Conditions; Definitions**

Section 1.01. The parties to this Agreement accept all the provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank dated March 15, 1974, with the same force and effect as if they were fully set forth herein (said General Conditions Applicable to Loan and Guarantee Agreements being hereinafter called the General Conditions).

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions and in Section 1.02 of the Loan Agreement have the respective meanings therein set forth.

**ARTICLE II**

**Guarantee; Provision of Funds**

Section 2.01. Without limitation or restriction upon any of its other obligations under the Guarantee Agreement, the Guarantor hereby unconditionally guarantees, as primary obligor

and not as surety merely, the due and punctual payment of the principal of, and interest and other charges on, the Loan, and the premium, if any, on the prepayment of the Loan and the punctual performance of all the other obligations of the Borrower, all as set forth in the Loan Agreement.

Section 2.02. Without limitation or restriction upon the provisions of Section 2.01 of this Agreement, the Guarantor specifically undertakes, whenever there is reasonable cause to believe that the funds available to the Borrower will be inadequate to meet the estimated expenditures required for the carrying out of the Project, to make arrangements, satisfactory to the Bank, promptly to provide the Borrower or cause the Borrower to be provided with such funds as are needed to meet such expenditures.

### ARTICLE III

#### Other Covenants

Section 3.01. (a) It is the policy of the Bank, in making loans to, or with the guarantee of, its members not to seek, in normal circumstances, specific security from the member concerned but to ensure that no other external debt shall have priority over its loans in the allocation, realization or distribution of foreign exchange held under the control or for the benefit of such member. To that end, if any lien shall be created on any public assets (as hereinafter defined), as security for any external debt, which will or might result in a priority for the benefit of the creditor of such external debt in the allocation, realization or distribution of foreign exchange, such lien shall, unless the Bank shall otherwise agree, ipso facto, and at no cost to the Bank, equally and ratably secure the principal of, and interest and other charges on, the Loan, and the Guarantor, in creating or permitting the creation of such lien, shall make express provision to that effect; provided, however, that, if for any constitutional or other legal reason such provision cannot be made with respect to any lien created on assets of any of its political or administrative subdivisions, the Guarantor shall promptly and at no cost to the Bank secure the principal of, and interest and other charges on, the Loan by an equivalent lien on other public assets satisfactory to the Bank.

(b) The foregoing undertaking shall not apply to: (1) any lien created on property, at the time of purchase thereof,

solely as security for payment of the purchase price of such property; and (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

(c) As used in this Section, the term "public assets" means assets of the Guarantor, of any political or administrative subdivision thereof and of any entity owned or controlled by, or operating for the account or benefit of, the Guarantor or any such subdivision, including gold and other foreign exchange assets held by any institution performing the functions of a central bank or exchange stabilization fund, or similar functions, for the Guarantor.

Section 3.02. (a) Except as the Bank shall otherwise agree, the Guarantor shall:

- (i) pay, or cause the public agencies to pay, by September 30, 1978, bills overdue as of December 31, 1977, in an amount of not less than  $\text{€}1,400,000$ ;
  - (ii) cause the public agencies to cooperate with the Borrower, in order to enable the Borrower to determine, by September 30, 1978, the balance of bills overdue as of December 31, 1977, as well as methods for the settlement of such balance;
  - (iii) pay, or cause each public agency to pay, by June 30, 1979, any amount of the balance of bills overdue as of December 31, 1977 that each such public agency shall have to pay to the Borrower in accordance with paragraph (a) (i) above; and
  - (iv) take all such measures as shall be necessary to ensure that, at all times, each public agency shall pay, promptly when due, each bill other than bills referred to in (i), (ii) or (iii) of this paragraph (a).
- (b) For purposes of this Section:
- (i) the term "public agency" means a political or administrative subdivision of the Guarantor, or an entity owned or controlled by, or operating for the

account or benefit of, the Guarantor or any such subdivision;

- (ii) the term "bill" shall mean, in respect of each public agency, the amounts periodically billed by the Borrower to each such agency for the provision of telecommunication services by the Borrower to each such agency; and
- (iii) the balance of bills overdue as of December 31, 1977 shall be calculated as the difference between the amount to be determined in accordance with paragraph (a) (ii) above and the amounts paid in accordance with paragraph (a) (i) above.

#### ARTICLE IV

##### Representative of the Guarantor; Addresses

Section 4.01. The Minister of Finance of the Guarantor is designated as representative of the Guarantor for the purposes of Section 11.03 of the General Conditions.

Section 4.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

**For the Guarantor:**

Ministerio de Hacienda  
3<sup>a</sup> Avenida Norte y 13<sup>a</sup> Calle Poniente  
San Salvador  
El Salvador

**Cable address:**

MINHACIENDA  
San Salvador

**For the Bank:**

International Bank for  
Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable address:

INTBAFRAD  
Washington, D.C.

Telex:

440098 (ITT)  
248423 (RCA) or  
64145 (WUI)

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF EL SALVADOR

By /s/ Juan Antonio Martínez Varela  
Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Eugenio Lari  
Acting Regional Vice President  
Latin America and the Caribbean