

**CONTRATO DE PRESTAMO N° ES-P2 SUSCRITO
CON EL FONDO DE COOPERACION ECONOMICA A ULTRAMAR (OECF).**

Loan Agreement N° ES-P2

LOAN AGREEMENT

FOR

Water Supply and Sewerage System Improvement Project

Between

THE OVERSEAS ECONOMIC COOPERATION FUND, JAPAN

And

THE GOVERNMENT OF THE REPUBLIC OF EL SALVADOR

Dated March 19, 1993

Loan Agreement N°. Es-P2, dated March 19, 1993, between THE OVERSEAS ECONOMIC COOPERATION FUND and THE GOVERNMENT OF THE REPUBLIC OF EL SALVADOR.

In the light of the contents of the Exchange of Notes between the Government of Japan and the Government of the Republic of EL SALVADOR dated March 19, 1993, concerning a Japanese loan to be extended with a view to strengthening the friendly relations and economic cooperation between two countries,

THE OVERSEAS ECONOMIC COOPERATING FUND (hereinafter referred to as "the fund") and THE GOVERNMENT OF THE REPUBLIC OF EL SALVADOR (hereinafter referred to as "the Borrower") herewith conclude the following Loan Agreement (hereinafter referred to as "the Loan Agreement", which includes all agreements supplemental hereto).

Article I

Loan

Section 1. Amount and Purpose of Loan

The Fund agrees to lend the Borrower an amount not exceeding ONE BILLION TWO HUNDRED TEN MILLION Japanese Yen (¥ 1,210,000.00) as principal for the implementation of the Water Supply and Sewerage System Improvement Project described in Schedule 1 attached hereto (hereinafter referred to as "the Project") in the form of co-financing with a loan approved by the Inter-American Development Bank (hereinafter referred to as "IDB"), for Programa para la Rehabilitación de los Sistemas de Agua Potable y Alcantarillado, on the terms and conditions set forth in the Loan Agreement and in accordance with the relevant laws and regulations of Japan (hereinafter referred to as "the Loan"), provided, however, that when the cumulative total of disbursements under the Loan Agreement reaches the said limit, the Fund shall make no further disbursement.

Section 2. Use of Proceeds of Loan

(1) The Borrower shall cause the proceeds of the Loan to be used for the purchase of eligible goods and services necessary for the implementation of the Project from suppliers or contractors (hereinafter collectively referred to as "the Supplier (s)") of the eligible source countries in Schedule 4 attached hereto (hereinafter referred to as "the Eligible Source Country (ies)") in accordance with the allocation described in schedule 2 attached hereto.

(2) The final disbursement under the Loan Agreement shall be made not later than the same day and month seven (7) years after the effective date of the Loan Agreement, and no further disbursement shall be made by the Fund thereafter, unless otherwise agreed upon between the Fund and Borrower.

Article II

Repayment and Interest

Section 1. Repayment of Principal

The Borrower shall repay the principal of the Loan to the Fund in accordance with the Amortization Schedule set forth in Schedule 3 attached hereto.

Section 2. Interest and Method of Payment thereof

(1) The Borrower shall pay interest to the Fund semi-annually at the rate of three percent (3.0%) per annum on the principal disbursed and outstanding.

(2) The Borrower shall pay to the Fund on March 20 of each year the interest that has accrued up to March 19 of that year from September 20 of the preceding year, and on September 20 of each year, provided that, prior to the date of the final disbursement of the proceeds of the Loan, the Borrower shall pay to the Fund on April 20 of each year the interest that has accrued up to March 19 of the year September 20 of the preceding year, and on October 20 of each year the interest that has accrued up to September 19 from March 20 of that year.

Article III

Particular Covenants

Section 1. General Terms and Conditions

Other terms and conditions generally applicable to the Loan Agreement shall be set forth in the Fund's General Terms and Conditions, dated November, 1987, with the following supplemental stipulations (hereinafter referred to as "the General Terms and Conditions"):

(1) The following (d) shall be added to Section 6.01. of the General Terms and Conditions:

(d) An event which shall make it improbable that the Project, or, significant part thereof, will be carried out.

(2) After a contract is determined to be eligible for the Fund's financing, the name of the Supplier may be made public by the Fund.

(3) Article VII of the General Terms and Conditions shall be disregarded, and, consequently, all references to "the Guarantee" or "the Guarantor", wherever mentioned in the General Terms and Conditions, shall be likewise disregarded.

Section 2. Procurement Procedure.

The guidelines for procurement mentioned in Section 4.01. of the General Terms and Conditions shall be as stipulated in Procurement Procedure attached hereto as Schedule 4.

Section 3. Disbursement Procedure

The disbursement procedure mentioned in Section 5.01. of the General Terms and Conditions shall be Reimbursement Procedure attached hereto as Schedule 5.

Section 4. Administration of Loan.

(1) The Borrower shall authorize Administracion Nacional de Acueductos y Alcantarillados as the executing agency of the Project (hereinafter referred to as "as Executing Agency") to implement the Project.

(2) Should the funds available from the proceeds of the Loan be insufficient for the implementation of the Project, the Borrower shall make arrangements promptly to provide such funds as shall be needed.

(3) The Borrower shall cause the Executing Agency to furnish the Fund with progress reports for the Project on a semi-annually basis (in April and October of each year) until the Project is completed, in such form and in such detail as the Fund may reasonably request.

(4) Promptly, but in any event not later than six (6) months after completing of the Project, the Borrower shall cause the Executing Agency to furnish the Fund with a project completion report in such form and in such detail as the Fund may reasonably request.

(5) The Borrower shall at all times operate and maintain, or cause to be operated and maintained, any facilities relevant to the Project, and Promptly as needed, make or cause to be made all necessary repairs and renewals thereof.

Section 5. Notices and Request

The following addresses are specified for the purpose of Section 9. 03. of the General Terms and Conditions:

For the Fund

Postal Address:

THE OVERSEAS ECONOMIC COOPERATION FUND
Takebashi Godo Building, 4-1, Ohtemachi 1-chome
Chiyoda-Ku, Tokyo 100, Japan.

Attention: Managing Director, Loan Department III

Cable Address: COOPERTIONFUND

Telex : (1) Call N°. J28360

Answer Back Code: COOPFUND J28360

(2) Call N°. J28790

Answer Back Code: COOPFUND J28790

For the Borrower

Postal Address:

MINISTERIO DE PLANIFICACION Y COORDINACION DEL DESARROLLO ECONOMICO Y SOCIAL.

Final 17 Avenida Norte,
Costado Poniente CEL,
Centro de Gobierno.
San Salvador, EL SALVADOR.

Attention: Ministerio de Planificacion y Coordinacion del Desarrollo Economico y Social.

Postal Address:

MINISTERIO DE HACIENDA
Condominio las Tres Torres
Av. Alvarado
Urbanización Buenos Aires
San Salvador, EL SALVADOR. C.A.

Attention: Ministro de Hacienda

For the Executing Agency:

Postal Address:

ADMINISTRACION NACIONAL DE ACUEDUCTOS Y
ALCANTARILLADOS.

2ª Avenida Sur, Numero 325 y 329, San Salvador, EL SALVADOR, C.A.

Attention: Presidente ANDA

If the above addresses and/or names are changed, the party concerned shall immediately notify the other party hereto in writing of the new addresses and/or names.

IN WITNESS WHEREOF, the Fund and the Borrower, acting through their duly authorized representatives, have caused the Loan Agreement to be duly executed in their respective names and delivered at the office of THE OVERSEAS ECONOMIC COOPERATION FUND, Chiyoda-Ku, Tokyo, Japan, as of the day and year first above written.

For

THE OVERSEAS ECONOMIC
COOPERATION FUND

AKIRA NISHAGAKI

President,

Chairman of the Board

For

THE GOVERNMENT OF THE
REPUBLIC OF THE SALVADOR.

JOSE MANUEL PACAS CASTRO

Minister of Foreign Affairs

Schedule 1

Description of Project

Section 1. Outline of the Project

(1) Objective

The objective of the Project is to improve water supply and sewerage service of the middle and small localities in EL SALVADOR.

(2) Location

The prefectures of Morazan, San Miguel, La Union and Usulután.

(3) Executing Agency

Administración Nacional de Acueductos y Alcantarillados (ANDA).

(4) Scope of the Work

Improvement of water supply and sewerage service.

The proceeds of the Loan are available for the Project in accordance with Section 1. of Schedule 2 of the Loan Agreement. Any balance remaining on the aforementioned item and all other items are to be financed by the Borrower.

Section 2. Estimated annual fund requirements are as shown below.

	Ca	f
	len	o
	da	r
	r	
	Ye	t
	ar	h
		e
		L
		o
		a
		n
	(in millions Japanese Yen)	
1994	284	
1995	890	
1996	36	
Total		1
	2	
	1	
	0	
	(Exchange Rate US\$ 1 = ¥ 121)	

Disbursement of the proceeds of the Loan shall be made within the limit of the Japanese Government's annual budgetary appropriations for the Fund.

Section 3. The Project is expected to be completed by 1996.

Schedule 2

Allocation of Proceeds of Loan

S	A
e	m
c	o
ti	u
o	n
n	t
1	o
.	f
A	
ll	t
o	h
c	e
a	
ti	L
o	o
n	a
C	n
a	
t	A
e	l
g	l
o	o
r	c
y	a
	t
	e
	d
	(in million Japanese Yen)
(A) Construction	1,067
(B)	143
Contingency	
Total	1,210

Note: Items not eligible for financing are as show below.

- (a) General administration expenses
- (b) Taxes and duties
- (c) Purchase of land and other real property
- (d) Compensation
- (e) Other indirect items

Section 2. Reallocation upon change in cost estimates

If the estimated cost of items included in Category (A) shall increase, the amount equal to the portion if any, of such increase to be financed out of the proceeds of the Loan, will be allocated by the Fund, at the request of the Borrower, to such Category from (b), subject, however, to the requirements for contingencies, as determined by the Fund.

Schedule 3

Amortization Schedule

Due Date	Amount (in Japanese Yen)
On March 20, 2003	29,520,000
On each March 20 and September 20 beginning September 20, 2003 through March 20, 2023	29,512,000

Schedule 4

Procurement Procedure

Section 1. Guidelines to be used for procurement under the Loan

Procurement of all goods and services to be financed out of the Proceeds of the Loan shall be in accordance with Guidelines for Procurement under OECF Loans dated November, 1987 (hereinafter referred to as "the Procurement Guidelines").

Section 2. Eligible Source Countries

The Eligible Source Countries for procurement of all goods and services to be financed out of the proceeds of the Loan are all countries and areas.

Section 3. The IDB's review of decisions relating to procurement of goods and services.

In the case of contracts to be financed out of the proceeds of the Loan allocated to the Categories (A), as specified in Schedule 2 attached hereto, the following procedures shall, in accordance with Section 4.02. of the General Terms and Conditions, subject to the IDB's or the Fund's concurrence.

(a) If the Borrower wishes to adopt procurement procedures other than International Competitive Bidding, the Borrower shall submit to the IDB a Request for Review of Procurement Method(s). The IDB shall inform the Borrower of its concurrence by means of a Notice regarding Procurement Method (s).

(b) Before advertisement and/or notification of prequalification, the Borrower shall submit to the IDB, for its review and concurrence, the prequalification documents, together with a Request for Review of Prequalification Documents. When the IDB has no objection to the said documents the IDB shall inform the Borrower accordingly by means of a Notice regarding Prequalification Documents. Any further modifications by the Borrower of the said documents requires prior concurrence by the IDB.

(c) When the prequalified firms have been selected, the Borrower shall submit to the IDB, for its review and concurrence, a list of those firms and a report on the selection process with the reasons for the choice made, attaching all relevant documents, together with a Request for Review of Result of Prequalification. When the IDB has no objection to the said documents, the IDB shall inform the Borrower accordingly by means of a Notice regarding Result of Prequalification.

(d) Before inviting bids, the Borrower shall submit to the IDB, for its review and concurrence, the notices and instructions to bidders, bid form, proposed draft contract, specifications, drawings and all other document related to the bidding, together with a Request for Review of Tender Documents. When the IDB has no objection to the said documents, the IDB shall inform the Documents. Where the Borrower wishes

to make any subsequent alteration to any of the said documents, the IDB's concurrence is to be obtained before the documents are sent to prospective bidders.

(e) Before sending a notice of award to the successful bidder; the Borrower shall submit to the IDB, for its review and concurrence, Request for Review of Analysis of bids and proposal for award, together with a Request for Review of Analysis of Bids and Proposal for Award. When the IDB has no objection to the said documents, the IDB shall inform the Borrower accordingly by means of a Notice regarding Analysis of Bids Proposal for Award.

(f) When, as provided for in Section 5.10 of the Procurement Guidelines, the Borrower wishes to reject all bids or to negotiate with one or two of the lowest bidders with a view to obtaining a satisfactory contract, the Borrower shall inform the IDB of its reasons, requesting the IDB's prior review and concurrence. When the IDB has no objection, it shall inform the Borrower of its concurrence. In the case of re-bidding, all subsequent procedures mentioned sub-paragraphs (a) through (e).

(g) Promptly after executing a contract, the Borrower shall submit to the IDB, for its review, a duly certified copy of the contract, together with a Requests Review of Contract (as per Form N°.1 attached hereto.) After receiving the result of the IDB's review, when the Fund determines the contract to be consistent with the Loan Agreement, the Fun shall inform the Borrower accordingly by means of a Notice regarding Contract.

(h) Any modification or cancellation of a contract concurred by the Fund shall require the prior review of the IDB and written concurrence of the Fund thereto, provided, however, that any change which does not constitute an important price shall not require such review and concurrence of the IDB and the Fund.

Date:

Form N°. 1

THE OVERSEAS ECONOMIC COOPERATION FUND

Tokyo, Japan

Attention: Managing Director, Loan Department III

Gentlemen:

REQUEST FOR REVIEW OF CONTRACT

In accordance with the relevant provision of the Loan Agreement N°. ES-P2, dated March 19, 1993, we hereby submit for your review a certified copy of the Contract attached hereto. The details of the Contract are as follows

1. Number and Date of Contract:

2. Name and Nationality of the Supplier:

4. Contract Price:

5. Amount of Financing Applied for:

6. Description and Origin of the Goods:

We should be grateful if you would notify us of your concurrence to the Contract by sending us a Notice regarding Contract.

Very truly yours,

For: the Government of
the Republic of El Salvador.

By:-----

(Authorized Signature)

Schedule 5

Reimbursement Procedure

REIMBURSEMENT PROCEDURE dated September, 1988 shall mutatis mutandis be applied for disbursement of the proceeds of the Loan for the payments made to the Suppliers of the Eligible Source Countries with the following supplemental stipulations:

1. The authorized foreign exchange bank in Tokyo wherever mentioned in this Schedule, including REIMBURSEMENT PROCEDURE, shall be Bank of Tokyo, Ltd., Tokyo.

2. The authorized foreign exchange bank in the territories of the Borrower mentioned in REIMBURSEMENT PROCEDURE, shall be Banco Central de Reserva de El Salvador.

3. the Borrower shall submit to the IDB, for its review, the Request for Reimbursement accompanied by the documents mentioned in 1. (a) and 1.(b) of REIMBURSEMENT PROCEDURE. After receiving the result of the IDB's review, the Fund shall make reimbursement to the Borrower.

4. The supportin documents evidencing each payment and its usage, as mentioned in 1. (b) of REIMBURSEMENT PROCEDURE, shall be as follows:

a). For payments to suppliers to against delivery/shipment of goods

i) supplier's invoice specifying the goods, with their quantities and prices, which have been or ore being supplied/shipped;

ii) bill of exchange or similar document evidencing the date and amount of payment made to the supplier; a simple receipt from the supplier showing the date and amount of payment would to suffice.

b) For payments under civil words contracts.

i) the claim, bill or invoice of the contractor showing, in sufficient detail, the work performed by the contractor and amount claimed therefor;

ii) a certificate to the effect that the work performed by the contractor is satisfactory and in accordance with the terms of the relevant contract; such certificate shall be signed by chief engineering officer of the Borrower assigned to the Project.

iii) cancelled bank check or similar document evidencing the date and amount of payment made to the contractor; a simple receipt from the contractor showing the date and amount of payment would also suffice.

5. (1) The Borrower shall pay to the Fund in Japanese Yen an amount equal to one-tenth percent (0.1%) of the amount of the disbursement for the Borrower as the service charge thereof on the date of such

disbursement. the Fund's disbursement under this procedure shall be made upon receipt of the service charge from the Borrower.

(2) An amount equal to such service charge shall be financed out of the proceeds of the Loan, and the Fund shall immediately pay such amount to itself as the service charge on the date of disbursement for the Borrower. Such disbursement out the proceeds of the Loan shall constitute a valid and binding obligation upon the Borrower under the terms and conditions of the Loan Agreement.

6. The currency and the conversion rate(s) used in the Request for Reimbursement, as mentioned in 3. of REIMBURSEMENT PROCEDURE, shall as follows:

i) The amount in the Request for Reimbursement shall be expressed in Japanese Yen or U.S. Dollars.

ii) When the amount in the Request for Reimbursement is expressed in U. S. Dollars, such amount shall be converted at the T/T buying rate quoted by Banco central de Reserva de El Salvador on the day immediately preceding the day on which the Request for Reimbursement is made.

7. Form OECF-SSP attached hereto shall be substituted for form OECF-SSP to the REIMBURSEMENT PROCEDURE.

Summary Sheet of Payments. (Form OECF-SSP)

Date:

Serial N°:

-----+

1	2	3	* 4	5
Transaction	Purchaser	Supplier	Nationality	Description of
			of	Goods and/or
			Supplier	Services

-----+

1				
2				
3				
4				
.				
.				

-----+

Total				

-----+

-----+

6	7	8	9. * * Amount of Payment
---	---	---	--------------------------

Origin	Contract	Date of
--------	----------	---------

N° and con	Payment	Amount paid	Conversion	Equivalent in US
------------	---------	-------------	------------	------------------

Contract	in currency	rate	Dollar/Japanese Yen
----------	-------------	------	---------------------

Amount	of payment	
--------	------------	--

--	--	--	--	--	--

--	--	--	--	--	--

1					
---	--	--	--	--	--

--	--	--	--	--	--

2					
---	--	--	--	--	--

--	--	--	--	--	--

3					
---	--	--	--	--	--

--	--	--	--	--	--

4					
---	--	--	--	--	--

--	--	--	--	--	--

.					
---	--	--	--	--	--

--	--	--	--	--	--

.					
---	--	--	--	--	--

--	--	--	--	--	--

--	--	--	--	--	--

Total					
-------	--	--	--	--	--

--	--	--	--	--	--

--	--	--	--	--	--

--	--	--

10		11	
----	--	----	--

--	--	--

***		***	
-----	--	-----	--

Nature of Payment	Method of Procurement
-------------------	-----------------------

--	--

--	--

--	--

--	--

--	--

--	--

--	--

--	--

--	--

+-----+		
Total		
+-----+		

The undersigned certifies that the supplier (s) and goods and/or services stated above are eligible under the Loan Agreement.

* Note for 4. Nationality of Supplier: Country in which the Supplier is incorporated an registered.

* * Note for 9. Amount of Payment: If not in Japanese Yen, state both the amount in the currency in which the payment was made to the Supplier, and its converted amount (s) calculated in accordance with 3. of REIMBURSEMENT PROCEDURE. and 6. of Schedule 5 of the Loan Agreement, as well as the conversion rate (s).

* * * Note for 10. Nature of Payment: A down payment, an installment payment or the final payment, etc.

* * * * Note for 11. Method of Procurement: State reasons for choice where other than international (local) competitive bidding.

Authorized signature

DECRETO N°. 636.-

LA ASAMBLEA LEGISLATIVA DE LA REPUBLICA DE EL SALVADOR,

CONSIDERANDO:

I.- Que por Decreto Legislativo N° 485 de fecha 18 de marzo de 1993, publicado en el Diario Oficial N° 57, Tomo 318 del 23 de marzo de 1993, se facultó al Organo Ejecutivo en el Ramo de Hacienda para que por medio de su Titular o del Representante que él designare, suscribiera con el Fondo de Cooperación Económica a Ultramar (OECF), el Contrato de Préstamo N° ES-P2 por un monto de UN MIL DOSCIENTOS DIEZ MILLONES DE YENES JAPONESES (¥ 1.210.000.000.OO), recursos que se destinarán para llevar a cabo la ejecución del "Proyecto de Mejoramiento del Abastecimiento de Agua y Sistemas de Alcantarillado";

II.- Que el Contrato de Préstamo fue suscrito el 19 de marzo de de 1993, en correspondencia a la autorización conferida por el Decreto Legislativo N° 485 antes relacionado y mediante Acuerdo Ejecutivo N° 294 de fecha 18 de marzo de 1993, emitido en el Ramo de Hacienda;

III.- Que procede aprobar en todas sus partes, el Contrato que ha sido sometido a esta Asamblea para lo cual se ha dado cumplimiento a lo que establece el Art. 148 de la Constitución de la República;

POR TANTO, en uso de sus facultades constitucionales,
DECRETA:

Art. 1.- Apruébase en todas sus partes el Contrato de Préstamo N° ES-P2, suscrito el 19 de marzo de 1993 con el Fondo de Cooperación Económica a Ultramar (OECF), por un monto de UN MIL DOSCIENTOS DIEZ MILLONES DE YENES JAPONESES (¥ 1.210.000.000.00), recursos que se destinarán para llevar a cabo la ejecución del "Proyecto de Mejoramiento de Abastecimiento de Agua y Sistemas de Alcantarillados".

Art. 2.- El presente decreto entrará en vigencia desde el día de su publicación en el Diario Oficial.

DADO EN EL SALON AZUL DEL PALACIO LEGISLATIVO: San Salvador, al primer día del mes de septiembre de mil novecientos noventa y tres.

LUIS ROBERTO ANGULO SAMAYOA
PRESIDENTE

MERCEDES GLORIA SALGUEROGROSS
VICEPRESIDENTE

CIRO CRUZ ZEPEDA PEÑA
VICEPRESIDENTE

RUBEN IGNACIO ZAMORA RIVAS
VICEPRESIDENTE

RAUL MANUEL SOMOZA ALFARO
SECRETARIO

SILVIA GUADALUPE BARRIENTOS ESCOBAR
SECRETARIO

JOSE RAFAEL MACHUCA ZELAYA
SECRETARIO

RENE MARIO FIGUEROA FIGUEROA
SECRETARIO

REYNALDO QUINTANILLA PRADO
SECRETARIO

CASA PRESIDENCIAL: San Salvador, a los siete días del mes de septiembre de mil novecientos noventa y tres.

PUBLIQUESE,

EDWIN SAGRERA
Ministerio de Hacienda.

ALFREDO FELIX CRISTIANI BURKARD,
Presidente de la República

D.L. N° 636, del 7 de septiembre de 1993, publicado en el D.O. N° 167, Tomo 320, del 8 de septiembre de 1993.

Medición:

Hojas

Párrafos

Artículos

Cuadros

Publicación