

No. 6544

**GUATEMALA, EL SALVADOR, HONDURAS
and NICARAGUA**

**Agreement constituting the Central American Bank for
Economic Integration. Signed at Managua, on 13 De-
cember 1960**

Official text : Spanish.

*Registered by the Organization of Central American States, acting on behalf of the
Contracting Parties in accordance with article 41 of the Agreement, on 25 February
1963.*

**GUATEMALA, SALVADOR, HONDURAS
et NICARAGUA**

**Accord instituant la Banque centraméricaine d'intégration
économique. Signé à Managua, le 13 décembre 1960**

Texte officiel espagnol.

*Enregistré par l'Organisation des États d'Amérique centrale, agissant au nom des
Parties contractantes conformément à l'article 41 de l'Accord, le 25 février 1963.*

[TRANSLATION — TRADUCTION]

No. 6544. AGREEMENT¹ BETWEEN GUATEMALA, EL SALVADOR, HONDURAS AND NICARAGUA CONSTITUTING THE CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION. SIGNED AT MANAGUA, ON 13 DECEMBER 1960

The Governments of the Republics of Guatemala, El Salvador, Honduras and Nicaragua agree to create, by virtue of the present Agreement, the Central American Bank for Economic Integration, in accordance with the following provisions :

CHAPTER I

NATURE, PURPOSE AND HEADQUARTERS

Article 1

The Central American Bank of Economic Integration is an international juridical person and shall perform its functions in conformity with the present Agreement and with its Regulations.

Article 2

The purpose of the Bank shall be to promote the economic integration and balanced economic development of the member countries. In pursuance of this objective, its activities shall be primarily designed to meet the needs of the following investment sectors :

- (a) Infrastructural projects to complete existing regional systems or counterbalance disparities in basic sectors which hinder the balanced economic development of Central America. Consequently, the Bank shall not finance infrastructural projects of purely local or national scope which will not contribute to the completion of the said systems or to the counterbalancing of significant disequilibria as between the member countries ;

¹ In accordance with article 38, the Agreement came into force in respect of Guatemala, Honduras and El Salvador on 8 May 1961, the date of deposit of the third instrument of ratification, and in respect of Nicaragua on 24 May 1961. The instruments of ratification were deposited with the Secretary-General of the Organization on Central American States on the dates indicated :

Guatemala	5 May 1961	El Salvador	8 May 1961
Honduras	5 May 1961	Nicaragua	24 May 1961

- (b) Projects for long-term investment in industries of a regional character or of importance for the Central American market, which will help to increase the supply of goods available for intra-Central American trade, or for such trade and the export sector. The Bank's activities shall not include investment in essentially local industries ;
- (c) Co-ordinated agricultural projects aiming at the improvement or expansion of farms or the replacement of less economic by more economic farms and conducive to Central American regional self-sufficiency ;
- (d) Projects for the financing of enterprises that need to expand their operations, modernize their processes or change the structure of their production in order to improve their efficiency and their competitive capacity within the common market with a view to facilitating free trade among the Central American countries ;
- (e) Projects for financing services vital to the operation of the common market ;
- (f) Other productive projects calculated to create economic complementarity among the member countries and to expand intra-Central American trade.

Article 3

The Bank shall have its headquarters and head office in the city of Tegucigalpa, in the Republic of Honduras, and shall be empowered to establish branch offices, agencies and correspondents.

CHAPTER II

CAPITAL, RESERVES AND RESOURCES

Article 4

The Bank's initial authorized capital shall be a sum equivalent to sixteen million United States dollars, to which each of the States members shall subscribe four million dollars, payable in its respective national currency.

One half of the capital subscribed by each member State shall be paid as follows: the equivalent of one million dollars within sixty days from the date of entry into force of the present Agreement, and the equivalent of one million dollars within fourteen months of the said date.

The rest of the capital subscribed shall be payable as and when called in by decision of the Board of Governors, with the concurring vote of at least one Governor from each member State.

The Bank shall be empowered to augment its capital if all the members of the Board of Governors adopt a unanimous decision to that effect.

Article 5

The shares of the member States in the capital of the Bank shall be represented by stock certificates issued in favour of the States concerned. These certificates shall confer upon their holders equal rights and obligations, shall not yield interest or dividends and shall not be taxable or transferable.

Such net profits as may accrue to the Bank in the course of its operations shall be deposited in a capital reserve fund.

The responsibility of the members of the Bank, as such, shall be confined to the amount of their capital subscription.

The capital contributed in national currency by each of the member States shall enjoy a guarantee of free convertibility at the official exchange rate most favourable to the Bank.

Each of the member States engages to maintain the value in United States dollars of the capital contribution which it has disbursed to the Bank. Should a change take place in the external official exchange rate for any of the national currencies concerned, the Bank's resources in that currency shall be adjusted in the exact proportion required to maintain their value in United States dollars.

Article 6

In addition to its own capital and reserves, the resources of the Bank shall include the product of loans and credits obtained in capital markets and any other resources received in any legal form.

CHAPTER III

OPERATIONS

Article 7

The capital, capital reserves and other resources of the Bank shall be used solely for the fulfilment of the purpose set forth in article 2 of the present Agreement. To this end, the Bank shall be empowered :

- (a) To study and promote the investment opportunities created by the economic integration of the members States, duly programming its activities and establishing the necessary financing priorities ;
- (b) To make or participate in long- and medium-term loans ;
- (c) To issue bonds of its own, which may or may not be guaranteed by means of sureties, pledges or mortgages ;
- (d) To participate in the issuance and placing of credit documents of all kinds, related to the fulfilment of its purpose ;

- (e) To obtain loans, credits and guarantees from Central American, international and foreign financial institutions ;
- (f) To act as intermediary in the concerting of loans and credits for the Governments, public institutions and established enterprises of the member States, to which end it shall institute such arrangements for co-operation with other Central American, international and foreign institutions as it may deem expedient in that connexion, and shall be empowered to take part in the preparation of the specific projects concerned ;
- (g) To guarantee the commitments of public institutions or private enterprises up to such amounts and for such periods as the Board of Governors may determine ;
- (h) To obtain guarantees from the member States for the purpose of securing loans and credits from other financial institutions ;
- (i) To provide, using its own resources or those it may obtain for the purpose, executive, administrative and technical advisory services for the benefit of applicants for credit ;
- (j) To conduct all such additional business as may be necessary, under the terms of the present Agreement and its Regulations, for the furtherance of its purpose and operation.

Article 8

The Bank shall finance only economically sound and technically feasible projects and shall refrain from making loans or assuming any responsibility whatsoever for the payment or refinancing of earlier commitments.

CHAPTER IV

ORGANIZATION AND ADMINISTRATION

Article 9

The Bank shall have a Board of Governors, a Board of Directors, a President and such other officials and employees as may be deemed necessary.

Article 10

All the powers of the Bank shall be vested in the Board of Governors. Each member country shall provide two Governors, who shall be absolutely independent in the exercise of their functions and shall have separate votes ; one of them shall be the Minister of Economic Affairs or his equivalent, and the other shall be the president or manager of each country's Central Bank, or his equivalent. From among the Governors the Board shall elect a President, who shall remain in office until the next regular meeting of the Board.

Article 11

The Board of Governors shall be at liberty to delegate all its powers to the Board of Directors, except those relating to the following procedures :

- (a) Calling-in of capital contributions ;
- (b) Augmentation of the authorized capital ;
- (c) Determination of capital reserves on the basis of proposals made by the Board of Directors ;
- (d) Election of the President and determination of his emoluments ;
- (e) Determination of the emoluments of the Directors ;
- (f) Examination of the interpretations placed upon the present Agreement by the Board of Directors and ruling thereon in case of appeal ;
- (g) Authorization of the conclusion of general agreements relating to co-operation with other agencies ;
- (h) Appointment of outside auditors to check financial statements ;
- (i) Adoption and publication, following auditor's report, of the over-all balance-sheet and the statement of profits and losses ;
- (j) Adoption of decisions, in the event of the Bank's terminating its operations, with respect to the distribution of its net assets.

Article 12

The Board of Governors shall retain full control over all the powers which, in accordance with article 11, it may delegate to the Board of Directors.

Article 13

The Board of Governors shall convene in regular session once a year. It shall also be at liberty to meet in special session whenever it so determines or whenever it is convened by the Board of Directors. The Board of Directors shall convene the Board of Governors whenever one of the member States so requests.

Article 14

At the meetings of the Board of Governors, one half the total number of Governors plus one shall constitute a quorum. In all cases except that provided for in article 4, decisions shall be made by the concurring votes of one half of the total number of Governors plus one.

Article 15

The Board of Directors shall be responsible for the conduct of the operations of the Bank and to this end shall be entitled to exercise all the powers delegated to it by the Board of Governors.

Article 16

There shall be one Director for each State member of the Bank, elected by the Board of Governors. The Directors shall be appointed for a term of five years and shall be eligible for re-election for successive periods. They shall be citizens of the member States and persons of acknowledged capacity and wide experience in economic, financial and banking affairs.

Article 17

The Directors shall remain in office until their successors are appointed or elected. When a Director's post falls vacant, the Governors shall proceed to appoint a deputy for the remainder of the period.

In the event of a Director's absence for legitimate reasons, the Board of Directors shall be empowered to appoint his temporary substitute.

Article 18

The Directors shall work full time in the Bank and shall, in addition, discharge such functions as the President may assign to them.

Article 19

The Board of Directors shall be of a permanent character and shall operate at the headquarters of the Bank.

The Board of Directors shall determine the basic organization of the Bank, including the number of major administrative and professional posts and the general responsibilities attaching, shall adopt the budget, and shall lay before the Board of Governors proposals for the establishment of reserves.

All the decisions of the Board of Directors shall be taken by a majority of all its members.

Article 20

The Board of Governors shall elect from among the Directors the President of the Bank, who shall be its legal representative. Similarly, it shall appoint the person who, should the President himself be prevented from so doing, shall exercise his authority and his functions. The President shall take the chair at the meetings of the Board of Directors and shall conduct the ordinary business of the Bank. His vote shall carry the same weight as that of the other members, except in the event of a tie, in which case he shall have two votes.

Article 21

There shall be an Executive Vice-President who shall be appointed by the Board of Directors on the proposal of the President of the Bank. He shall exercise the authority and discharge the administrative functions determined by the Board of Directors.

The Executive Vice-President shall attend the meetings of the Board of Directors, but without the right to vote.

Article 22

In the discharge of their functions, the President, officials and employees of the Bank shall be answerable to it alone and shall acknowledge no other authority. The member States shall respect the international character of this obligation.

Article 23

The primary consideration to be borne in mind by the Bank in appointing its staff and determining their conditions of service shall be the need to ensure the highest possible degree of efficiency, competence and integrity. Staff shall also be recruited with due regard to equitable geographical distribution.

Article 24

The Bank, its officials and its employees—with the exception of the Governors in their respective countries—shall be debarred from taking active part in political affairs.

CHAPTER V

INTERPRETATION AND ARBITRATION

Article 25

Any difference of opinion as to the interpretation of the provisions of the present Agreement which may arise between any member and the Bank or among member States shall be submitted for a ruling to the Board of Directors.

The member States especially affected by the difference in question shall have the right to direct representation before the Board of Directors.

Any member State shall be entitled to demand that the solution proposed by the Board of Directors in accordance with the first paragraph of this article shall be submitted to the Board of Governors, whose decision shall be final. Pending the Board's decision, the Bank shall be empowered to take such action as it may deem necessary on the basis of the decision reached by the Board of Directors.

Article 26

Should any disagreement arise between the Bank and a State which has ceased to be a member, or between the Bank and one of its members after it has been agreed that the operations of the institution shall be terminated, the controversy shall be submitted for arbitration to a tribunal composed of three persons. The Bank and the State concerned shall each appoint one of the arbiters, and shall jointly appoint a third and disinterested party. Should agreement not be reached with respect to the last mentioned appointment, the third member shall be chosen by lot from among the Presidents of the Supreme Courts of Justice of the member States, with the exception of that of the country concerned.

The third arbiter shall be empowered to decide upon all questions of procedure in cases where the parties are not in agreement.

CHAPTER VI

IMMUNITIES, EXEMPTIONS AND PRIVILEGES

Article 27

The Bank, in the discharge of its functions and in conformity with its purposes, shall enjoy in the territory of the member States the immunities, exemptions and privileges which are set forth in this chapter or which may be otherwise granted to it.

Article 28

It shall be possible to institute judicial proceedings against the Bank only before a competent tribunal in the territory of a member State where the Bank shall have established an office, or where it shall have appointed an agent or legal representative empowered to accept the writ or notice of a judicial complaint, or where it shall have issued or guaranteed securities.

Article 29

The Bank's property and other assets, wheresoever situated and whosoever be the holder thereof, shall enjoy immunity from attachment, sequestration, embargo, distraint, auction, adjudication or any other form of seizure or alienation or forfeiture, so long as no definitive judgement has been pronounced against the Bank.

The property and other assets of the Bank shall be deemed to be international public property and shall enjoy immunity in respect of investigation, requisition, confiscation, expropriation or any other form of seizure or forfeiture by executive or legislative action.

The Bank's property and other assets shall be exempt from restrictions, regulations, controls and moratoria of every kind, except as otherwise provided in the present Agreement.

Article 30

The files and records of the Bank shall be inviolable and shall enjoy absolute immunity.

Article 31

In territories of the member States the Bank's communications shall be entitled to the same franchises as are granted to official communications.

Article 32

The personnel of the Bank, whatever their category, shall enjoy, the following privileges and immunities :

(a) Immunity in respect of judicial, administrative and legislative proceedings relating to acts performed by them in their official capacity, unless the Bank waives such immunity ;

(b) In the case of non-nationals of the member State concerned, the same immunities and privileges in respect of immigration restrictions, registration of aliens and military service requirements, and other facilities relating to exchange and travel regulations, which the State grants to other member States in respect of personnel of comparable rank.

Article 33

(a) The Bank, its income, property and other assets, as well as any operations and transactions which it may effect in accordance with the present Agreement, shall be exempt from taxes of every kind and from customs duties and other charges of a similar nature. The Bank shall likewise be exempt from all responsibility in connexion with the payment, withholding or collection of any tax, impost or duty ;

(b) The bonds or securities issued or guaranteed by the Bank, including dividends or interest thereon, whosoever be their holder, shall not be subject to duties or taxes of any kind ;

(c) The salaries and emoluments paid by the Bank to its personnel of whatsoever category shall be exempt from taxation.

CHAPTER VII

REQUIREMENTS FOR OBTAINING GUARANTEES OR LOANS

Article 34

It is hereby established that the members of the Bank shall not be entitled to obtain guarantees or loans from the said institution unless they have previously deposited the instruments of ratification of the following international agreements :

General Treaty on Central American Economic Integration, signed on the same date as the present Agreement ;¹

Multilateral Treaty of Free Trade and Central American Economic Integration, signed on 10 June 1958 ;²

Agreement on the Régime for Central American Integration Industries, signed on 10 June 1958 ;

Central American Agreement on the Equalization of Import Duties and Charges, signed on 1 September 1959, and the *Protocol* signed on the same date as the present Agreement. ³

CHAPTER VIII

ACCESSION OF NEW MEMBERS

Article 35

Central American States not signatories of the present Agreement shall be entitled to accede to it at any time.

CHAPTER IX

DISSOLUTION AND LIQUIDATION

Article 36

The Bank shall be dissolved :

- (a) By unanimous decision of the member States ; or
- (b) When only one of the Parties continues to uphold the present Agreement.

In the event of dissolution, the Board of Governors shall determine the conditions under which the Bank shall terminate its operations, liquidate its obligations and distribute among the member States the surplus capital and reserves remaining after the discharge of the obligations in question.

¹ See p. 3 of this volume.

² United Nations, *Treaty Series*, Vol. 454 No. 6539.

³ United Nations, *Treaty Series*, Vol. 454 No. 6542.

CHAPTER X
GENERAL PROVISIONS

Article 37

The present Agreement shall be of unlimited duration and cannot be denounced earlier than twenty years from the date of its entry into force. Denunciation shall become effective five years after its presentation. The Agreement shall remain in force if at least two countries continue to uphold it.

Article 38

The present Agreement shall enter into force as from the date on which the third instrument of ratification is deposited with the General Secretariat of the Organization of Central American States. For Central American countries acceding to it subsequently, it shall enter into force from the date of deposit of the pertinent instrument with the said Secretariat.

Article 39

In the event of a signatory State's separation from the Bank, the State shall continue to be responsible for its obligations to the Bank, whether direct or deriving from loans, credits or guarantees obtained prior to the date on which the State ceases to be a member. However, it shall not be responsible in respect of loans, credits or guarantees effected subsequently to its withdrawal.

The rights and obligations of the seceding State shall be determined in conformity with the Special Liquidation Balance Sheet which shall be drawn up for the purpose on the date on which the country's separation becomes effective.

Article 40

The Bank shall be empowered to make its facilities available for the organization and operation of a clearing-house on behalf of the Central Banks if and when they so request.

Article 41

The General Secretariat of the Organization of Central American States shall be the depository of the present Agreement and shall transmit certified copies thereof to the Ministry of Foreign Affairs of each of the Contracting States, which it shall immediately notify of the deposit of each of the instruments of ratification, as well as of any denunciation which may be presented. On the entry into force of the Agreement, it shall also transmit a certified copy thereof to the United Nations Secretariat for registration purposes in conformity with Article 102 of the United Nations Charter.

Article 42

The Bank constituted by virtue of the present Agreement is the institution referred to in resolutions 84 and 101 of the Central American Economic Cooperation Committee, and, in founding it, Guatemala, El Salvador and Honduras are complying with the provisions respecting the establishment of the Development and Assistance Fund laid down in the Economic Association Treaty and the Protocol concluded by them on 8 June 1960.

Provisional article

The amounts advanced by the Governments for the initial expenditure arising from the establishment of the Bank shall be deemed to constitute part of their capital contributions to the Bank.

Provisional article

The first meeting of the Board of Governors of the Bank shall be convened by the Ministry of Foreign Affairs of the Republic of Honduras at the earliest opportunity and not later than sixty days from the date of entry into force of the present Agreement.

IN WITNESS WHEREOF the respective plenipotentiaries sign the present Agreement in the city of Managua, capital of the Republic of Nicaragua, this thirteenth day of the month of December, nineteen hundred and sixty.

For the Government of the Republic of Guatemala :

Julio PRADO GARCÍA SALAS
Minister for Co-ordinating Central American Integration

Alberto FUENTES MOHR
Head of the Economic Integration Bureau

For the Government of the Republic of El Salvador :

Gabriel PILOÑA ARAUJO
Minister of Economic Affairs

Abelardo TORRES
Under-Secretary for Economic Affairs

For the Government of the Republic of Honduras :

Jorge BUESO ARIAS
Minister of Economic and Financial Affairs

For the Government of the Republic of Nicaragua :

Juan José LUGO MARENCO
Minister of Economic Affairs