

No. 2522

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
and
PANAMA**

Guarantee Agreement—*Grain Storage Project*—(with annexed Loan Agreement—*Grain Storage Project*—between the Bank and the Instituto de Fomento Económico and Loan Regulations No. 4). Signed at Washington, on 25 September 1953

Official text: English.

Registered by the International Bank for Reconstruction and Development on 25 March 1954.

**BANQUE INTERNATIONALE POUR
LA RECONSTRUCTION ET LE DÉVELOPPEMENT
et
PANAMA**

Contrat de garantie — *Projet relatif à l'ensilage des grains* — (avec, en annexe, le Contrat d'emprunt — *Projet relatif à l'ensilage des grains* — entre la Banque et l'Instituto de Fomento Económico et le Règlement n° 4 sur les emprunts). Signé à Washington, le 25 septembre 1953

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 25 mars 1954.

No. 2522. GUARANTEE AGREEMENT¹ (*GRAIN STORAGE PROJECT*) BETWEEN THE REPUBLIC OF PANAMA AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 25 SEPTEMBER 1953

AGREEMENT, dated September 25, 1953, between REPUBLIC OF PANAMA (hereinafter called the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS Instituto de Fomento Económico (hereinafter called the Borrower) was organized for the purpose of promoting the development of the economy of the Republic of Panama; and

WHEREAS the Borrower and the Guarantor have submitted to the Bank a project for the development of agriculture in the Republic of Panama through establishment and operation of a grain drying and storage plant, and the Bank has agreed to assist in the financing of such project; and

WHEREAS it is the common desire of the Borrower, the Republic of Panama and the Bank that the funds and operations of the Borrower in connection with such project be kept separate and distinct from the other funds and operations of the Borrower; and

WHEREAS by an agreement of even date herewith between the Bank and the Borrower, which agreement and the schedules therein referred to are hereinafter called the Loan Agreement,² the Bank has agreed to make to the Borrower a loan in various currencies in an aggregate principal amount equivalent to two hundred and ninety thousand dollars (\$ 290,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agree to guarantee the payment of the principal of, and interest and other charges on such loan and the obligations of the Borrower in respect thereof; and

WHEREAS the Guarantor, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed to guarantee the payment of the principal of, and interest and other charges on such loan and the obligations of the Borrower in respect thereof;

NOW THEREFORE, the parties hereto hereby agree as follows :

¹ Came into force on 20 February 1954, upon notification by the Bank to the Government of Panama.

² See p. 104 of this volume.

Article I

Section 1.01. The parties to this Guarantee Agreement accept all the provisions of Loan Regulations No. 4¹ of the Bank dated October 15, 1952 (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 Guarantee Agreement the term "Agency" shall mean any agency or instrumentality of the Guarantor or of any political subdivision of the Guarantor and shall include any institution or organization which is owned or controlled directly or indirectly by the Guarantor or by any political subdivision of the Guarantor or the operations of which are conducted primarily in the interest of or for account of the Guarantor or any political subdivision of the Guarantor.

Article II

Section 2.01. Without limitation or restriction upon any of the other covenants on its part in this Agreement contained, the Guarantor hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of the principal of, and the interest and other charges on, the Loan, the principal of and interest on the Bonds, the premium, if any, on the prepayment of the Loan or the redemption of the Bonds, and the punctual performance of all the covenants and agreements of the Borrower, all as set forth in the Loan Agreement and in the Bonds.

Section 2.02. Without limitation or restriction upon the provisions of Section 2.01 of this Agreement, the Guarantor specifically undertakes :

(a) whenever there is reasonable cause to believe that the funds available to the Borrower will be inadequate to meet the estimated expenditures required for carrying out the Project, or

(b) whenever there is reasonable cause to believe that lack of funds to service any of its obligations may impair the Borrower's ability to carry out its obligations under the Loan Agreement,

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.

Article III

Section 3.01. (a) It is the mutual intention of the Guarantor and the Bank that no other external debt shall enjoy any priority over the Loan by way

¹ See p. 116 of this volume.

of a lien on governmental assets. To that end, the Guarantor undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Guarantor as security for any external 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 : (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; (ii) any lien on commercial goods to secure a debt maturing not more than one year after the date on which it is originally incurred and to be paid out of the proceeds of sale of such commercial goods; or (iii) any lien arising in the ordinary course of banking transactions to secure a debt maturing not more than one year after the date on which it is originally incurred.

(b) The term “ assets of the Guarantor ” as used in this Section means the assets of the Guarantor or of any of its political subdivisions or of any Agency.

Section 3.02. (a) The Guarantor and the Bank 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. On the part of the Guarantor, such information shall include information with respect to financial and economic conditions in the territories of the Guarantor and the international balance of payments position of the Guarantor.

(b) The Guarantor and the Bank 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 Guarantor 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.

(c) The Guarantor shall afford all reasonable opportunity for accredited representatives of the Bank to visit any part of the territories of the Guarantor for purposes related to the Loan.

Section 3.03. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid without deduction for, and free from, any taxes or fees imposed under the laws of the Guarantor or laws in effect in its territories; 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 3.04. This Agreement, the Loan Agreement and the Bonds shall be free from any taxes or fees that shall be imposed under the laws of the Guarantor or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof.

Section 3.05. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid free from all restrictions imposed under the laws of the Guarantor or laws in effect in its territories.

Article IV

Section 4.01. The Guarantor shall endorse, in accordance with the provisions of the Loan Regulations, its guarantee on the Bonds to be executed and delivered by the Borrower. The Minister of Finance and Treasury (*Ministro de Hacienda y Tesoro*) of the Guarantor and such person or persons as he shall designate in writing are designated as the authorized representatives of the Guarantor for the purposes of Section 6.12 (b) of the Loan Regulations.

Article V

Section 5.01. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Guarantor : Gobierno de Panamá, Ministerio de Hacienda y Tesoro, Panamá, República de Panamá.

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

Section 5.02. The Minister of Finance and Treasury (*Ministro de Hacienda y Tesoro*) of the Guarantor is designated for the purposes of Section 8.03 of the Loan Regulations.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Guarantee 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.

Republic of Panama
By R. M. HUERTEMATTE
Ambassador of Panama

International Bank for Reconstruction and Development
By Eugene R. BLACK
President

LOAN AGREEMENT
(GRAIN STORAGE PROJECT)

AGREEMENT, dated September 25, 1953, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and INSTITUTO DE FOMENTO ECONÓMICO (hereinafter called the Borrower).

WHEREAS the Borrower was organized for the purpose of promoting the development of the economy of the Republic of Panama; and

WHEREAS the Borrower and the Republic of Panama have submitted to the Bank a project for the development of agriculture in the Republic of Panama through establishment and operation of a grain drying and storage plant, and the Bank has agreed to assist in the financing of such project; and

WHEREAS it is the common desire of the Borrower, the Republic of Panama and the Bank that the funds and operations of the Borrower in connection with such project be kept separate and distinct from the other funds and operations of the Borrower;

NOW THEREFORE, the parties hereto agree as follows :

Article I

LOAN REGULATIONS

Section 1.01. The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 4¹ of the Bank dated October 15, 1952 (hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

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 hundred and ninety thousand dollars (\$290,000).

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. 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.

The date specified for the purposes of Section 2.02 of the Loan Regulations is November 15, 1953 or the Effective Date, whichever shall be the earlier.

¹ See p. 116 of this volume.

Section 2.04. The Borrower shall pay interest at the rate of four and five-eighths per cent ($4\frac{5}{8}\%$) 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 May 15 and November 15 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 1¹ to this Agreement.

Article III

USE OF PROCEEDS OF THE LOAN

Section 3.01. The Borrower shall apply the proceeds of the Loan exclusively to financing the cost of goods required for the plant described in Schedule 2² to this Agreement. The specific goods to be financed out of the proceeds of the Loan shall be determined by agreement between the Bank and the Borrower, subject to modification by further agreement between them.

Section 3.02. The Borrower shall cause all goods financed out of the proceeds of the Loan to be imported into the territories of the Guarantor and there to be used exclusively in the carrying out of the Project.

Section 3.03. All contracts entered into by the Borrower for the construction of the plant described in Schedule 2 to this Agreement or for the purchase of machinery and equipment to be included therein shall be in form and substance satisfactory to the Bank.

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 General Manager (*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.

¹ See p. 114 of this volume.

² See p. 116 of this volume.

Article V

PARTICULAR COVENANTS

Section 5.01. (a) The Borrower shall carry out the Project with due diligence and efficiency and in conformity with sound engineering, financial and business practices.

(b) The Borrower shall furnish to the Bank, promptly upon their preparation, the plans and specifications for the plant described in Schedule 2 to this Agreement and any material modifications subsequently made therein.

(c) The Borrower shall maintain records adequate to identify the goods financed out of the proceeds of the Loan, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the financial condition and operations of the Borrower; shall enable the Bank's representatives to inspect the Project, the goods and any relevant records and documents; and shall furnish to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the Project, the goods, and the financial condition and operations of the Borrower.

(d) The Borrower shall administer its operations in connection with the Project separately from its other activities and shall keep separate accounts thereof which will be made available to the Bank pursuant to the provisions of paragraph (c) of this Section.

(e) Except as the Borrower and the Bank shall otherwise agree, all income, revenues and receipts arising from the operations of the Borrower in connection with the Project shall be segregated from the other income, revenues and receipts of the Borrower and shall be used by the Borrower only in connection with the Project. Payment of principal of, and interest and other charges on, the Loan and the Bonds shall be deemed to be a use in connection with the Project.

Section 5.02. (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 5.03. The Borrower shall not, without the prior written approval of the Bank, incur, assume or guarantee any debt, or substantially modify the terms of payment of any existing debt incurred, assumed or guaranteed by it; provided, however, that the foregoing provisions of this Section shall not apply to the incurring by the Borrower in the ordinary course of its business of any debt maturing by its terms not more than one year after the date on which it is originally incurred.

Section 5.04. 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 : (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; (ii) any lien on commercial goods to secure a debt maturing not more than one year after the date on which it is originally incurred and to be paid out of the proceeds of sale of such commercial goods; or (iii) any lien arising in the ordinary course of banking transactions to secure a debt maturing not more than one year after the date on which it is originally incurred.

Section 5.05. Whenever there is reasonable cause to believe :

- (a) that the funds available to the Borrower will be inadequate to meet the estimated expenditures required for carrying out the Project, or
- (b) that lack of funds to service any of its obligations may impair the Borrower's ability to carry out its obligations under this Agreement,

the Borrower shall forthwith notify the Guarantor and the Bank of such fact and of its expected requirements.

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. Except as shall be otherwise agreed between the Bank and the Borrower, the Borrower shall insure or cause to be insured the goods financed with the proceeds of the Loan against risks incident to their purchase and importation into the territories of the Guarantor. Each contract of insurance shall be on such terms and shall be for such amounts as shall be consistent with sound commercial practice and shall be payable in dollars or in the currency in which the cost of the goods insured thereunder shall be payable.

Section 5.09. The Borrower shall operate and maintain the machinery, equipment and property included in the Project, and from time to time make all necessary renewals and repairs thereof, all in accordance with sound engineering standards.

Section 5.10. The Borrower shall at all times be so organized, and have such management, technical and operating staff, and follow such operating policies as shall be necessary for the diligent and efficient carrying out of the Project.

Article VI

REMEDIES OF THE BANK

Section 6.01. (i) If any event specified in paragraph (a), paragraph (b), paragraph (e) or paragraph (f) 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.

Article VII

EFFECTIVE DATE; TERMINATION

Section 7.01. The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 9.01 (c) of the Loan Regulations :

(a) The Borrower and the Guarantor shall have made arrangements mutually satisfactory to the Bank, the Borrower and the Guarantor, for the funding of past due interest owed by the Borrower on *Bonos del Banco de Urbanización y Rehabilitación, Serie A*;

(b) The Borrower shall have made arrangements satisfactory to the Bank for the provision of funds aggregating 120,000 balboas in currency of the Guarantor for construction of the plant described in Schedule 2 to this Agreement.

Section 7.02. The following is specified as an additional matter within the meaning of Section 9.02 (b) of the Loan Regulations, to be included in the opinion or opinions to be furnished to the Bank : That the arrangements for funding of the past due interest owed by the Borrower on *Bonos del Banco de Urbanización y Rehabilitación, Serie A* are valid and binding in accordance with their terms.

Section 7.03. A date ninety days after the date of this Agreement is hereby specified for the purposes of Section 9.04 of the Loan Regulations.

Article VIII

MISCELLANEOUS

Section 8.01. The Closing Date shall be June 30, 1955.

Section 8.02. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Borrower : Instituto de Fomento Económico, Panamá, República de Panamá.

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

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 Eugene R. BLACK
President

Instituto de Fomento Económico :

By Mario DE DIEGO
Authorized Representative

SCHEDULE 1

AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars) *</i>	<i>Principal Amount Outstanding After Each Payment (expressed in dollars) *</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars) *</i>	<i>Principal Amount Outstanding After Each Payment (expressed in dollars) *</i>
May 15, 1955 . . .	—	\$290,000	November 15, 1958	\$24,000	\$131,000
November 15, 1955 . . .	\$21,000	269,000	May 15, 1959 . . .	25,000	106,000
May 15, 1956 . . .	22,000	247,000	November 15, 1959	26,000	80,000
November 15, 1956 . . .	22,000	225,000	May 15, 1960 . . .	26,000	54,000
May 15, 1957 . . .	23,000	202,000	November 15, 1960	27,000	27,000
November 15, 1957 . . .	23,000	179,000	May 15, 1961 . . .	27,000	—
May 15, 1958 . . .	24,000	155,000			

* 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 these columns 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 2 years before maturity	1½%
More than 2 years but not more than 4 years before maturity	1%
More than 4 years but not more than 6 years before maturity	1½%
More than 6 years before maturity	2%

SCHEDULE 2

DESCRIPTION OF PROJECT

1. A grain drying and storage plant with a static capacity of 4,000 metric tons and an annual handling capacity of at least 8,000 metric tons will be constructed and operated in Panama City. The plant will consist of 6 large and 2 small steel storage silos, a warehouse for sacked grain, a large continuous batch dryer, a cleaner and necessary elevators, conveyors, scales, aerators and other accessories necessary for the operation of a modern grain processing plant.

2. The Borrower will buy grains which, after being cleaned, dried and fumigated will be stored and sold by the Borrower. The Borrower will carry out these operations with the objective of stimulating production of grains, of stabilizing supplies and prices and at the same time producing a reasonable return on the Borrower's investment in the Project.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 4, DATED 15 OCTOBER 1952

REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK TO BORROWERS OTHER THAN MEMBER GOVERNMENTS

[Not published herein. See *United Nations, Treaty Series, Vol. 172, p. 124*]