

No. 5523

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

Loan Agreement—*Livestock Improvement Project* (with related letter and annexed Loan Regulations No. 3). Signed at Washington, on 30 December 1959

Official text: English.

Registered by the International Bank for Reconstruction and Development on 12 January 1961.

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

Contrat d'emprunt — *Projet relatif à l'amélioration du cheptel* (avec lettre y relative et, en annexe, le Règlement n° 3 sur les emprunts). Signé à Washington, le 30 décembre 1959

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 12 janvier 1961.

No. 5523. LOAN AGREEMENT¹ (*LIVESTOCK IMPROVEMENT PROJECT*) BETWEEN THE EASTERN REPUBLIC OF URUGUAY AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 30 DECEMBER 1959

AGREEMENT, dated December 30, 1959, between REPUBLICA ORIENTAL DEL URUGUAY (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS, by Law No. 12394 of July 2, 1957, the Borrower has declared the carrying out of a plan of technical improvement of livestock and agricultural production to be of national interest;

WHEREAS, the Borrower has created the Comisión Honoraria del Plan Agropecuario which will have the responsibility of directing and supervising the execution of such plan;

WHEREAS, the Borrower is determined to follow policies which, as part of a broad program for fostering sound economic growth, will create opportunities and incentives for the expansion of livestock and agricultural production and ensure the accomplishment of the purposes of such plan;

WHEREAS, the Bank is willing at this time to make to the Borrower a loan in various currencies equivalent to \$7,000,000 for the purpose of contributing to the success of such plan;

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. 3 of the Bank dated June 15, 1956,² subject, however, to the modifications thereof set forth in Schedule 3³ to this Agreement (said Loan Regulations No. 3 as so modified being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

¹ Came into force on 2 December 1960, upon notification by the Bank to the Government of Uruguay.

² See p. 298 of this volume.

³ See p. 296 of this volume.

Section 1.02. Unless the context shall otherwise require, the following terms shall have the following meanings :

(a) " Honorary Commission " means Comisión Honoraria del Plan Agropecuario created pursuant to the Law of July 2, 1957.

(b) " Bank of the Republic " means Banco de la República Oriental del Uruguay.

(c) " Livestock Fund " means the fund to be administered by the Bank of the Republic out of which loans may be made to farmers and others engaged in agricultural pursuits for purposes related to the Project.

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 seven million dollars (\$7,000,000).

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. 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 Borrower and the Bank 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 June 1 and December 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 1¹ to this Agreement.

Article III

USE OF PROCEEDS OF THE LOAN

Section 3.01. The Borrower shall cause the proceeds of the Loan to be applied exclusively to financing the cost of goods required to carry out the Project described in Schedule 2¹ to this Agreement. The specific goods to be financed out of the proceeds of the Loan and the methods and procedures for procurement of such goods shall be determined by agreement between the Bank and the Honorary Commission acting on behalf of the Borrower, subject to modification by further agreement between them.

Section 3.02. Except as the Borrower and the Bank shall otherwise agree, the Borrower shall cause all goods financed out of the proceeds of the Loan to be used in the territories of the Borrower exclusively in the carrying out of the Project.

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 *Ministro de Hacienda* and the *Director de Crédito Público* of the Borrower acting jointly and such person or persons as they shall jointly appoint in writing are designated as authorized representatives of the Borrower for the purposes of Section 6.12 of the Loan Regulations.

Article V

PARTICULAR COVENANTS

Section 5.01. (a) The Borrower shall cause the Project to be carried out with due diligence and efficiency.

(b) The Borrower, in accordance with the provisions of Law No. 12394 of July 2, 1957, of the Borrower creating the Honorary Commission, shall cause an agricultural expert satisfactory to the Bank to be employed by the Honorary Commission upon terms and conditions satisfactory to the Borrower, the Honorary Commission and the Bank.

¹ See p. 292 of this volume.

(c) The Borrower shall ensure that necessary credit, on terms and conditions satisfactory to the Bank and the Honorary Commission, is available to farmers who are participating in the Project.

(d) Whenever there is reasonable cause to believe that the funds in currency of the Borrower available to the Honorary Commission or to the Bank of the Republic out of the Livestock Fund will be inadequate to meet the estimated expenditures required for carrying out the Project including the provision of credit to farmers participating in the Project, the Borrower shall make arrangements satisfactory to the Bank promptly to provide the Honorary Commission or the Bank of the Republic, or to cause the Honorary Commission or the Bank of the Republic to be provided, with such funds in currency of the Borrower as are needed to meet such expenditures.

(e) The Borrower shall maintain or cause to be maintained 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 operations and financial condition of the Honorary Commission; 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, the Livestock Fund and the operations and financial condition of the Honorary Commission.

Section 5.02. (a) The Borrower 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 Borrower, such information shall include information with respect to financial and economic conditions in the territories of the Borrower and the international balance of payments position of the Borrower.

(b) The Borrower 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 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.

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

Section 5.03. It is the mutual intention of the Borrower and the Bank that no other external debt shall enjoy any priority over the Loan by way of a lien on governmental assets or by way of priority in the allocation or realization of

foreign exchange. To that end, the Borrower undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Borrower or of any of its political subdivisions or of any agency of the Borrower or of any such political subdivision, including Bank of the Republic, 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. If the Borrower, for constitutional reasons, shall be unable to make the foregoing undertaking effective with respect to any lien on assets of an agency which is granted autonomy by the Constitution (other than Bank of the Republic) or on assets of a political subdivision or agency of a political subdivision, the Borrower shall grant to the Bank an equivalent lien satisfactory to the Bank. 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 arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date; (iii) 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 (iv) any lien upon property in Uruguay or revenues or receipts in currency of the Borrower, if such lien is given by a political subdivision or by an agency of a political subdivision of the Borrower under arrangements or circumstances which would not result in priority in the allocation or realization of foreign exchange.

Section 5.04. 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, fees or other fiscal charges imposed under the laws of the Borrower or laws in effect in its territories; provided, however, that the provisions of this Section shall not apply to taxation of, or fees or other fiscal charges 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 Borrower.

Section 5.05. The Loan Agreement and the Bonds shall be free from any taxes, fees or other fiscal charges that shall be imposed under the laws of the Borrower or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof and the Borrower shall pay all such taxes, fees and fiscal charges, 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.

Section 5.06. 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 Borrower or laws in effect in its territories.

Section 5.07. The Borrower shall satisfy the Bank that adequate arrangements have been made to insure the goods financed out of the proceeds of the Loan against risks incident to their purchase and importation into the territories of the Borrower.

Section 5.08. Except as otherwise agreed between the Borrower, the Bank and the Honorary Commission, no changes in the internal regulations of the Honorary Commission referred to in Section 7.01 (c) hereof shall be adopted which shall adversely affect the carrying out of the Project.

Article VI

REMEDIES OF THE BANK

Section 6.01. (i) If any event specified in paragraph (a) or paragraph (b) 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 (b) of the Loan Regulations :

(a) The expert referred to in Section 5.01 (b) shall have been employed.

(b) Appropriate licensing procedures for facilitating the importation of goods needed for the Project shall have been established.

(c) Internal regulations covering the operating procedures of the Honorary Commission shall have been prepared and shall have been approved by the Borrower and the Bank.

(d) The Borrower shall have made arrangements satisfactory to the Bank and the Honorary Commission to ensure that necessary credit shall be available to farmers who will be participating in the Project.

(e) The Borrower shall have made arrangements satisfactory to the Bank to provide the Honorary Commission with adequate operating funds.

Section 7.02. The following are specified as additional matters, within the meaning of Section 9.02 (e) of the Loan Regulations, to be included in the opinion or opinions to be furnished to the Bank :

(a) That the action to be taken in order to comply with paragraphs (a), (b) and (c) of Section 7.01 has been legally and validly taken; and

(b) That the arrangements referred to in paragraphs (d) and (e) of Section 7.01 are legally valid and binding.

Section 7.03. A date 90 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, 1963.

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

For the Borrower :

República Oriental del Uruguay
Ministerio de Hacienda
Calle Colonia 1089
Montevideo, Uruguay

or

República Oriental del Uruguay
Embassy of Uruguay
2362 Massachusetts Avenue, N.W.
Washington 6, D. C.
United States of America

Alternative address for cablegrams and radiograms :

Ministerio Hacienda
Montevideo

With copies to :

Comisión Honoraria del Plan Agropecuario
Calle Ciudadela 1471
Montevideo, Uruguay
and
Ministerio de Hacienda
Montevideo, Uruguay

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.

Section 8.03. The Honorary Commission acting on behalf of the Borrower 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 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.

República Oriental del Uruguay :

By J. A. LACARTE
ad referendum Authorized Representative

International Bank for Reconstruction and Development :

By W. A. B. ILIFF
Vice President

SCHEDULE 1
AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>
December 1, 1963	\$100,000	June 1, 1968	\$500,000
June 1, 1964	100,000	December 1, 1968	500,000
December 1, 1964	350,000	June 1, 1969	500,000
June 1, 1965	350,000	December 1, 1969	500,000
December 1, 1965	500,000	June 1, 1970	400,000
June 1, 1966	500,000	December 1, 1970	400,000
December 1, 1966	500,000	June 1, 1971	400,000
June 1, 1967	500,000	December 1, 1971	400,000
December 1, 1967	500,000		

* 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 3 years before maturity	½%
More than 3 years but not more than 5 years before maturity	2%
More than 5 years but not more than 8 years before maturity	3½%
More than 8 years but not more than 11 years before maturity	5%
More than 11 years before maturity	6%

SCHEDULE 2
DESCRIPTION OF PROJECT

The Project is the implementation of the first three to four years of a program for the introduction of improved methods of pastoral production in Uruguay. The Honorary Commission will administer the Project.

The Project is expected to cover about 600 farms with an aggregate area of about 600,000 hectares. The Project is designed to serve as a pilot demonstration of the agricultural and economic advantages of the adoption of the following improved methods :

- (a) Improvement of pastures and soil fertility through the application of phosphates and, as necessary, reseeded of clovers and grasses.
- (b) Subdivision of farms by additional fencing to enable better pasture management through controlled rotational grazing.
- (c) Provision of additional water-points and shade and shelter for stock, as necessary.

- (d) Conservation of forage, as appropriate, for use during periods of less than normal rainfall.
- (e) Better control of parasitic and epidemic diseases of livestock.

The Honorary Commission will publicize the objectives of the Project, select eligible farmers to participate in it, provide technical assistance, work out and appraise improvement plans appropriate to each farm, recommend planned and adequate credit needs and the term of such credits to the Bank of the Republic and supervise the execution of the improvement plan on each farm. The Honorary Commission will make appropriate arrangements satisfactory to the Bank to insure that each participating farmer will carry out the minimum requirements of the improvement plan designed by the Honorary Commission for his farm and that he will keep sufficient records to show the progress and results of the improvement plan designed for his farm.

The Bank of the Republic will, subject to creditworthiness considerations and the regulations of such bank, provide to participating farmers credits from the Livestock Fund in such amounts and on such terms and conditions as are recommended by the Honorary Commission.

The Borrower will make available to the Honorary Commission the facilities of the Ministry of Agriculture of the Borrower, including the services of veterinarians and other staff, as required for the execution of the Project.

The Borrower will ensure that adequate amounts of fertilizers will be available for use in connection with the Project.

Goods for use in connection with the Project will be imported through normal trade channels and import licenses for goods approved by the Honorary Commission will be promptly issued against a special quota to be established for this purpose. Goods to be financed with the proceeds of the Loan will include :

1. Requirements for farm development, as appraised by the Honorary Commission, for farmers participating in the Project who have obtained credits from the Livestock Fund.
2. Requirements for farm development, as appraised by the Honorary Commission, for farmers participating in the Project on a cash basis.
3. Equipment for pond excavation and well drilling for cash sale to private contractors or other agencies who will give first priority in use of the equipment to contract work on farms participating in the program.
4. Spare parts to the value of 30% of machinery imported under the Loan, which will be imported by the distributors of the machinery. Spare parts to the value of approximately 15% of the machinery imported for participating farmers will be earmarked for sale to farmers participating under the Project. The balance of spare parts to 30% of the value of machinery imported under the Loan will be for types of agricultural machinery approved by the Honorary Commission but need not be reserved for sale to farmers participating in the Project.
5. Services of the agricultural expert employed pursuant to Section 5.01 (b) of the Loan Agreement.

6. Motor vehicles necessary for the field transportation of the technical staff of the Honorary Commission.

SCHEDULE 3

MODIFICATIONS OF LOAN REGULATIONS No. 3

For the purposes of this Agreement the provisions of Loan Regulations No. 3 of the Bank, dated June 15, 1956, shall be deemed to be modified as follows :

(a) Section 2.02 shall be deleted.

(b) Section 9.03 is amended to read as follows :

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

(c) Paragraph 13 of Section 10.01 is amended to read as follows :

“ The term ‘ external debt ’ means any debt payable in any medium other than currency of the Borrower, whether such debt is or may become payable absolutely or at the option of the creditor in such other medium. ”

LETTER RELATING TO THE LOAN AGREEMENT

EMBASSY OF URUGUAY
WASHINGTON 8, D. C.

6385/59-1742-b

December 30, 1959

Dr. Leopoldo Cancio
Legal Adviser
International Bank for Reconstruction
and Development
Washington 25, D. C.

Dear Dr. Cancio :

With reference to the signature today of the *Loan Agreement*¹ for \$ 7 million in respect to livestock improvement in Uruguay, I am pleased to confirm that the term “ *ad-referendum* ” which appears after my signature, refers to the approval of the Uruguayan Legislature which is required by our laws.

I am further pleased to confirm that my authorization to sign, as received from the Uruguayan government, is that I should do so *ad-referendum* of Parliamentary approval.

Yours very sincerely,

Julio A. LACARTE
Ambassador

¹ See p. 276 of this volume.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 3, DATED 15 JUNE 1956

REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK TO MEMBER GOVERNMENTS

[*Not published herein. See United Nations, Treaty Series, Vol. 280, p. 302.*]