

No. 6129

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

**Loan Agreement—*Highway Maintenance Project* (with
annexed Loan Regulations No. 3). Signed at Washing-
ton, on 28 June 1961**

Official text: English.

*Registered by the International Bank for Reconstruction and Development on 23 April
1962.*

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

**Contrat d'emprunt—*Projet relatif à l'entretien des routes*
(avec, en annexe, le Règlement n° 3 sur les emprunts).
Signé à Washington, le 28 juin 1961**

Texte officiel anglais.

*Enregistré par la Banque internationale pour la reconstruction et le développement le
23 avril 1962.*

No. 6129. LOAN AGREEMENT¹ (*HIGHWAY MAINTENANCE PROJECT*) BETWEEN THE REPUBLIC OF CHILE AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 28 JUNE 1961

AGREEMENT, dated June 28, 1961, between REPUBLIC OF CHILE (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

Article I

LOAN REGULATIONS

Section 1.01. The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 3 of the Bank dated February 15, 1961² (said Loan Regulations No. 3 being 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 six million dollars (\$6,000,000).

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 The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, the Loan Regulations.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at the rate of three-fourths of one per cent ($\frac{3}{4}$ of 1%) per annum on the principal amount of the Loan not so withdrawn from time to time.

Section 2.04. The Borrower shall pay interest at the rate of five and three-fourths per cent ($5\frac{3}{4}\%$) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

¹ Came into force on 21 December 1961, upon notification by the Bank to the Government of Chile.

² See p. 46 of this volume.

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 shall be determined by agreement between the Borrower and the Bank, 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 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 Ambassador of the Republic of Chile to the United States of America 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 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 and in conformity with sound engineering and finan-

¹ See p. 46 of this volume.

cial practices. To that end the Borrower shall employ competent and experienced engineering consultants mutually acceptable to the Borrower and the Bank on terms and conditions mutually satisfactory to the Borrower and the Bank.

(b) The Borrower shall cause to be furnished to the Bank, promptly upon their preparation, the plans, specifications and contracts for the Project and any material modifications subsequently made therein.

(c) 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, and 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 agency or agencies of the Borrower responsible for the operation of the Project or any part thereof ; 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, and the goods, and the operations and financial condition of the agency or agencies of the Borrower responsible for the operation of the Project or any part thereof.

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. 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 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 and securing a debt maturing not more than one year after its date.

The term "assets of the Borrower" as used in this Section includes 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 the Banco Central de Chile or any other institution performing the functions of a central bank.

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 or fees 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 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 or fees 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 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.

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. The Borrower shall at all times make available promptly as needed all sums and resources which shall be required for the carrying out of the Project.

Section 5.09. (a) The Borrower shall cause all maintenance equipment and materials, and all spare parts, financed out of the proceeds of the Loan, to be used exclusively for the purposes of road maintenance.

(b) The Borrower shall cause all its machinery and equipment for highway construction and maintenance to be adequately maintained and repaired, and shall cause suitable workshops to be maintained in suitable places for that purpose.

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, or (iii) if any event specified in Section 6.02 of this Agreement shall occur and shall continue for a period of sixty days, 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.

Section 6.02. The following are specified as additional events for the purpose of Section 5.02 (h) of the Loan Regulations :

- (a) A default shall have occurred in the payment of principal or interest or any other payment required under any development credit agreement between the Borrower and the International Development Association.
- (b) A default shall have occurred in the performance of any other covenant or agreement on the part of the Borrower under the Development Credit Agreement of even date¹ herewith between the Borrower and the International Development Association.

Article VII

MISCELLANEOUS

Section 7.01. The Closing Date shall be December 31, 1963.

Section 7.02. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

¹ See p. 89 of this volume.

For the Borrower :

Minister of Public Works
c/o Corporación de Fomento de la Producción
80 Pine Street
New York 5, N.Y.
United States of America

Alternative address for cablegrams and radiograms :

Fomento
New York, N.Y.

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 7.03. The Minister of Public Works of the Borrower is designated for the purposes of Section 8.03 of the Loan Regulations.

Section 7.04. A date 90 days after the date of this Agreement is hereby specified for the purposes of Section 9.04 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.

Republic of Chile :

By E. PINTO
Authorized Representative

International Bank for Reconstruction and Development :

By J. Burke KNAPP
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, 1964	\$426,000	December 1, 1967	\$505,000
June 1, 1965	438,000	June 1, 1968	519,000
December 1, 1965	451,000	December 1, 1968	534,000
June 1, 1966	463,000	June 1, 1969	549,000
December 1, 1966	477,000	December 1, 1969	565,000
June 1, 1967	491,000	June 1, 1970	582,000

* To the extent that any part of the Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.03), the figures in this column represent dollar equivalents determined as for purposes of withdrawal.

PREMIUM 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	½ of 1 %
More than 2 years but not more than 4 years before maturity	2 %
More than 4 years but not more than 6 years before maturity	3 ½ %
More than 6 years but not more than 8 years before maturity	4 ¾ %
More than 8 years before maturity	5 ¾ %

SCHEDULE 2

DESCRIPTION OF PROJECT

The Project is a program for the maintenance of the roads of the Borrower.

The Borrower will (i) acquire, operate and maintain road maintenance equipment as required for the proper upkeep of the road system, (ii) acquire and hold adequate inventories of spare parts connected therewith, (iii) expand and improve workshop equipment and facilities for the servicing and repair of the maintenance equipment, and (iv) train personnel to operate, service and repair such equipment.

The proceeds of the Loan will be applied towards the financing of acquisition of road maintenance equipment, spare parts and workshop equipment for the program.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 3, DATED 15 FEBRUARY 1961

REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK TO MEMBER GOVERNMENTS

[Not published herein. See United Nations, Treaty Series, Vol. 414, p. 268.]