

No. 6131

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**INTERNATIONAL DEVELOPMENT ASSOCIATION  
and  
CHILE**

**Development Credit Agreement—*Road Construction Project*  
(with related letter and annexed Development Credit  
Regulations No. 1). Signed at Washington, on 28 June  
1961.**

*Official text: English.*

*Registered by the International Development Association on 23 April 1962.*

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**ASSOCIATION INTERNATIONALE  
DE DÉVELOPPEMENT  
et  
CHILI**

**Contrat de crédit de développement — *Projet relatif à la  
construction de routes* (avec lettre y relative et, en  
annexe, le Règlement n° 1 sur les crédits de développe-  
ment). Signé à Washington, le 28 juin 1961**

*Texte officiel anglais.*

*Enregistré par l'Association internationale de développement le 23 avril 1962.*

No. 6131. DEVELOPMENT CREDIT AGREEMENT<sup>1</sup> (*ROAD CONSTRUCTION PROJECT*) BETWEEN THE REPUBLIC OF CHILE AND THE INTERNATIONAL DEVELOPMENT ASSOCIATION. SIGNED AT WASHINGTON, ON 28 JUNE 1961

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AGREEMENT, dated June 28, 1961, between REPUBLIC OF CHILE (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

*Article I*

DEVELOPMENT CREDIT REGULATIONS ; SPECIAL DEFINITIONS

*Section 1.01.* The parties to this Agreement accept the provisions of Development Credit Regulations No. 1 of the Association dated June 1, 1961<sup>2</sup> (hereinafter called the Regulations), with the same force and effect as if they were fully set forth herein.

*Section 1.02.* For the purposes of this Agreement the term "goods" as defined in paragraph 10 of Section 9.01 of the Regulations shall include any property required for the Project.

*Article II*

THE CREDIT

*Section 2.01.* The Association agrees to make available to the Borrower, on the terms and conditions in this Agreement set forth or referred to, a development credit in an amount in various currencies equivalent to nineteen million dollars(\$19,000,000).

*Section 2.02.* The Association shall open a Credit Account in the name of the Borrower and shall credit to such Credit Account the amount of the Credit. The amount of the Credit may be withdrawn from the Credit Account as provided in, and subject to the rights of cancellation and suspension set forth in, this Agreement and the Regulations.

*Section 2.03.* Except as the Borrower and the Association shall otherwise agree, the Borrower shall be entitled, subject to the provisions of this Agreement, to with-

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<sup>1</sup> Came into force on 19 October 1961, upon notification by the Association to the Government of Chile.

<sup>2</sup> See p. 102 of this volume.

draw from the Credit Account (i) the equivalent of a percentage or percentages to be established from time to time by agreement between the Borrower and the Association of such amounts as shall have been expended by the Borrower for the reasonable cost of goods required for carrying out part A of the Project ; (ii) such amounts as shall have been paid to consultants for their services under part B of the Project ; (iii) such amounts as shall have been otherwise expended for the reasonable foreign exchange cost of engineering equipment and services required for carrying out the Project and not included in the foregoing ; and (iv) if the Association shall so agree, such amounts as shall be required to meet payments to be made for the reasonable cost of the foregoing.

Provided, however, that no withdrawals shall be made on account of expenditures for goods procured prior to January 1, 1961.

*Section 2.04.* Withdrawals from the Credit Account shall be in such currency or currencies as the Association shall from time to time reasonably select.

*Section 2.05.* The Borrower shall pay to the Association a service charge at the rate of three-fourths of one per cent ( $\frac{3}{4}$  of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time. The Borrower shall also pay to the Association a service charge at the same rate on the principal amount of any special commitment entered into by the Association pursuant to Section 4.02 of the Regulations.

*Section 2.06.* Service charges shall be paid semi-annually on June 1 and December 1 in each year.

*Section 2.07.* The Borrower shall repay the principal of the Credit withdrawn from the Credit Account in semi-annual instalments payable on each June 1 and December 1 commencing December 1, 1971, and ending June 1, 2011, each instalment to and including the instalment payable on June 1, 1981 to be one half of one per cent ( $\frac{1}{2}$  of 1%) of such principal amount, and each instalment thereafter to be one and one half of one per cent ( $1\frac{1}{2}$ %) of such principal amount.

### *Article III*

#### USE OF PROCEEDS OF THE CREDIT

*Section 3.01.* The Borrower shall cause the proceeds of the Credit to be applied exclusively to financing the cost of goods required to carry out the Project described in Schedule 1<sup>1</sup> to this Agreement. The specific goods to be financed out of the proceeds of the Credit and the methods and procedures for procurement of such goods shall be determined by agreement between the Borrower and the Association, subject to modification by further agreement between them.

<sup>1</sup> See p. 100 of this volume.

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

#### *Article IV*

##### PARTICULAR COVENANTS

*Section 4.01.* (a) The Borrower shall cause the Project to be carried out and maintained with due diligence and efficiency and in conformity with sound engineering and financial practices.

(b) In carrying out the Project the Borrower shall employ competent and experienced engineering consultants satisfactory to the Borrower and the Association upon terms and conditions satisfactory to the Borrower and the Association.

(c) The list of works to be included in Part A of the Project shall be determined from time to time by agreement between the Borrower and the Association, subject to modification by further agreement between them.

(d) Except as the Association shall otherwise agree, the roads and structures included in the Project shall be constructed or improved by contractors satisfactory to the Borrower and the Association, employed under contracts satisfactory to the Association awarded on the basis of international competitive bidding.

(e) The general design standards and the type of surfacing (including pavement) to be used for the roads included in the Project shall be as determined by agreement between the Borrower and the Association, subject to modification by further agreement between them.

(f) Upon request from time to time by the Association, the Borrower shall promptly furnish or cause to be furnished to the Association the plans, specifications and work schedules for the Project and any material modifications subsequently made therein, in such detail as the Association shall request.

*Section 4.02.* (a) The Borrower shall maintain or cause to be maintained records adequate to identify the goods financed out of the proceeds of the Credit, 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 with respect to the Project of the agency or agencies of the Borrower responsible for the carrying out of the Project or any part thereof; shall enable the Association's representatives to inspect the Project, the goods and any relevant records and documents; and shall furnish or cause to be furnished to the Association all such information as the Association shall reasonably request concerning the expenditure of the proceeds of the Credit, the Project, and the

goods, and the operations and financial condition of the agency or agencies of the Borrower responsible for the carrying out of the Project or any part thereof.

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

*Section 4.03.* (a) The Borrower and the Association shall cooperate fully to assure that the purposes of the Credit 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 Credit. 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 Association shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Credit and the maintenance of the service thereof. The Borrower shall promptly inform the Association of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Credit or the maintenance of the service thereof.

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

*Section 4.04.* The principal of, and service charges on, the Credit shall be paid without deduction for, and free from, any taxes (including duties, fees or impositions) imposed under the laws of the Borrower or laws in effect in its territories and free from all restrictions imposed under the laws of the Borrower or laws in effect in its territories.

*Section 4.05.* This Agreement shall be free from any taxes (including duties, fees or impositions) 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.

*Section 4.06.* The Borrower shall satisfy the Association that adequate arrangements have been made to insure the goods financed out of the proceeds of the Credit against risks incident to their purchase and importation into the territories of the Borrower.

*Section 4.07.* The Borrower shall cause the roads constructed or improved with the proceeds of the Credit to be adequately maintained and shall cause all necessary repairs thereof to be made, all in accordance with sound engineering practices.

*Article V*

## REMEDIES OF THE ASSOCIATION

*Section 5.01.* (i) If any event specified in paragraph (a) or paragraph (c) of Section 5.02 of the Regulations shall occur and shall continue for a period of thirty days, or (ii) if any event specified in paragraph (b) of Section 5.02 of the Regulations shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower, then at any subsequent time the Association, at its option, may declare the principal of the Credit 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 to the contrary notwithstanding.

*Article VI*

## MISCELLANEOUS

*Section 6.01.* The Closing Date shall be December 31, 1964, or such other date as may from time to time be agreed between the Borrower and the Association.

*Section 6.02.* The following addresses are specified for the purposes of Section 7.01 of the Regulations :

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 Association :

International Development Association  
1818 H Street, N.W.  
Washington 25, D. C.  
United States of America

Alternative address for cablegrams and radiograms :

Indevas  
Washington, D. C.

*Section 6.03.* The Minister of Public Works of the Borrower is designated for the purposes of Section 7.03 of the Regulations.

*Section 6.04.* A date ninety days after the date of this Agreement is hereby specified for the purposes of Section 8.04 of the Regulations.

IN WITNESS WHEREOF, the parties hereto acting through their representatives thereunto duly authorized, have caused this Development Credit Agreement to be signed in their respective names and delivered in the District of Columbia, United States of America, as of the days and year first above written.

Republic of Chile :

*By E. PINTO*

Authorized Representative

International Development Association

*By J. Burke KNAPP*

Vice President

#### SCHEDULE 1

#### DESCRIPTION OF PROJECT

The Project consists of :

A. *Within the ten provinces of Southern Chile from Nuble to Chiloé*

- (i) the construction of about 950 km of roads ;
- (ii) the betterment of about 2,500 km of existing roads ;
- (iii) the paving (mostly asphalt) of about 400 km of roads ; and
- (iv) the construction of the Bio-Bio bridge at Concepcion.

B. *Engineering services*

For the preparation and execution of

- (i) the work under A ; and
- (ii) the highway maintenance program of the Borrower.

#### LETTER RELATING TO THE DEVELOPMENT CREDIT AGREEMENT

EMBAJADA DE CHILE  
WASHINGTON 6

June 28, 1961

International Development Association  
1818 H Street, N.W.  
Washington 25, D.C.

Gentlemen :

We refer to the Development Credit Agreement (Road Construction Project) of even date<sup>1</sup> between Republic of Chile and the International Development Association and to

<sup>1</sup> See p. 90 of this volume.

Section 3.02 of the Regulations referred to therein. Pursuant to such Section, we hereby request your agreement as follows :

- (i) Except as hereinafter provided, the principal amount of, and service charges on, the Credit provided for in such Agreement shall be payable in the currency of United States of America.
- (ii) If at any time the Association shall determine that such currency is not freely convertible or freely exchangeable by it for currencies of other members of the Association for the purposes of its operations, the Association shall so notify us and furnish us with a list of the currencies which, in the determination of the Association, are so convertible or so exchangeable.
- (iii) If within thirty days from the date of such notice the undersigned shall not have selected a specific currency or currencies from such list in which payment shall be made, then payment of such principal and service charges shall be made in a currency or currencies to be selected by the Association from such list.
- (iv) Any selection of a currency pursuant to (iii), shall be subject, in turn, to the provisions of (ii) and (iii) hereof.

Please indicate your agreement with the foregoing by signing the form of confirmation on the enclosed copy of this letter and returning it to us.

Very truly yours,

Republic of Chile :  
By E. PINTO  
Authorized Representative

*Confirmed :*  
International Development  
Association :  
By Orvis A. SCHMIDT

INTERNATIONAL DEVELOPMENT ASSOCIATION

DEVELOPMENT CREDIT REGULATIONS No. 1,  
DATED 1 JUNE 1961

REGULATIONS APPLICABLE TO DEVELOPMENT CREDIT AGREEMENTS WITH MEMBER  
GOVERNMENTS

[*Not published herein. See United Nations, Treaty Series, Vol. 415, p. 68.*]