

No. 7351

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

Guarantee Agreement—*Livestock Development Project* (with annexed Loan Regulations No. 4 and Loan Agreement between the Bank and Corporación de Fomento de la Producción). Signed at Washington, on 18 December 1963

Official text: English.

Registered by the International Bank for Reconstruction and Development on 5 August 1964.

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

Contrat de garantie — *Projet relatif au développement de l'élevage* (avec, en annexe, le Règlement n° 4 sur les emprunts et le Contrat d'emprunt entre la Banque et la Corporación de Fomento de la Producción). Signé à Washington, le 18 décembre 1963

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 5 août 1964.

No. 7351. GUARANTEE AGREEMENT¹ (*LIVESTOCK DEVELOPMENT PROJECT*) BETWEEN THE REPUBLIC OF CHILE AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 18 DECEMBER 1963

AGREEMENT, dated December 18, 1963, between REPUBLIC OF CHILE (hereinafter called the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS, by an agreement of even date herewith between the Bank and Corporación de Fomento de la Producción (hereinafter called 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 equivalent to nineteen million dollars (\$19,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agree to guarantee the obligations of the Borrower in respect of such loan as hereinafter provided; and

WHEREAS, the Guarantor, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed so to guarantee such obligations of the Borrower;

NOW THEREFORE, the parties hereto hereby agree as follows :

Article I

Section 1.01. The parties to this Guarantee Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated February 15, 1961² (said Loan Regulations No. 4 being 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, unless the context shall otherwise require, the term defined in the Loan Agreement shall have the meaning therein set forth.

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 un-

¹ Came into force on 2 July 1964, upon notification by the Bank to the Government of Chile.

² See p. 12 of this volume.

conditionally 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, whenever there is reasonable cause to believe that the funds available to the Borrower will be inadequate to enable it 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 to meet such obligations.

Article III

Section 3.01. 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 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 and securing a debt maturing not more than one year after its date.

The term "assets of the Guarantor" as used in this Section includes assets of the Guarantor or of any of its political subdivisions or of any agency of the Guarantor or of any such political subdivision including the Banco Central de Chile.

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 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 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 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.

Section 3.06. The Guarantor covenants that it will not take or permit any of its political subdivisions or any of its agencies or any agency of any political subdivision to take any action which would prevent or interfere with the performance by the Borrower of any of the covenants, agreements and obligations of the Borrower in the Loan Agreement contained, and will take or cause to be taken all reasonable action which shall be necessary in order to enable the Borrower to perform such covenants, agreements and obligations.

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 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 :

Republic of Chile
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 5.02. The Minister of Finance 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 Chile :

By Sergio GUTIERREZ .
Authorized Representative

International Bank for Reconstruction and Development :

By J. Burke KNAPP
Vice President

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 4, DATED 15 FEBRUARY 1961

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

[*Not published herein. See United Nations, Treaty Series, Vol. 400, p. 212.*]

LOAN AGREEMENT

(LIVESTOCK DEVELOPMENT PROJECT)

AGREEMENT, dated December 18, 1963, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and CORPORACIÓN DE FOMENTO DE LA PRODUCCIÓN (hereinafter called the Borrower).

WHEREAS, Chile has formulated a Ten-Year Development Program which includes a Livestock Development Program as an element of high priority;

WHEREAS, the Borrower will further the Livestock Development Program by assessing applications for, and granting, where appropriate, credits to increase livestock production, by arranging for the rendering, where necessary, of technical assistance to farmers granted such credit, and by supervising the administration of such credits and the procurement of materials and equipment purchased by means of such credits;

WHEREAS, funds available to the Borrower require augmentation in order that there may be a net increase in its lending to assist the Livestock Development Program; and

WHEREAS, Chile and the farmers and private enterprises receiving credits from the Borrower will provide a substantial portion of the funds necessary;

NOW THEREFORE, it is hereby agreed as follows :

Article I

LOAN REGULATIONS; SPECIAL DEFINITION

Section 1.01. The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated February 15, 1961¹ (said Loan Regulations No. 4 being 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 Loan Agreement, unless the context shall otherwise require, the term "Escudos" and the sign "E^o" means escudos in the currency of the Guarantor.

¹See above.

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 nineteen million dollars (\$19,000,000).

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 one-half per cent ($5\frac{1}{2}\%$) 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 January 1 and July 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 1 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 to carry out the Project described in Schedule 2 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 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 (except as the Bank and the Borrower shall otherwise agree) 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 *Vicepresidente Ejecutivo* of the Borrower and such other 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.

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 agricultural, engineering and financial practices. To that end, the Borrower shall employ qualified personnel in adequate numbers.

(b) All moneys withdrawn from the Loan Account shall be made available to farmers and others as credits, or portions of credits, extended by the Borrower to carry out the Project. Such credits shall be granted upon terms and conditions satisfactory to the Bank.

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

Section 5.02. (a) The Borrower shall at all times conduct its business and operations and maintain its financial position in accordance with sound business practices and under the supervision of experienced and competent management.

(b) The Borrower shall take such action as shall be necessary to assure that adequate funds are available to carry out the Project. Whenever there is reasonable cause to believe: (i) that the Borrower's financial resources will be insufficient to enable it to provide its share of the funds needed to carry out the Project; or (ii) that the financial resources made available to the Borrower by the Guarantor will be insufficient, the Borrower shall forthwith notify the Guarantor and the Bank of such fact and of the amount of funds then needed to carry out the Project.

Section 5.03. (a) The Bank and the Borrower shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, the Bank and the Borrower shall from time to time, at the request of either party, exchange views through their representatives with regard to the performance by the Borrower of its obligations under the Loan Agreement, the administration, operations and financial condition of the Borrower and other matters relating to the purposes of the Loan.

(b) The Borrower shall furnish to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the goods

financed out of such proceeds, the Project, and the administration, operations and financial condition of the Borrower and its subsidiaries.

(c) 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, the maintenance of the service thereof or the performance by the Borrower of its obligations under the Loan Agreement.

Section 5.04. 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 operations and financial condition of the Borrower; and shall enable the Bank's representatives to inspect the Project, the goods financed out of the proceeds of the Loan, all farms, works, properties and equipment affected by credits extended by the Borrower and any relevant records and documents.

Section 5.05. 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; or (ii) any lien arising in the ordinary course of the Borrower's business and securing a debt maturing not more than one year after the date on which it is originally incurred.

Section 5.06. The Borrower shall pay or cause to be paid all taxes, 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 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, 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. (a) Except as shall be otherwise agreed between the Bank and the Borrower, the Borrower shall insure or cause to be insured with responsible insurers all goods financed out of the proceeds of the Loan. Such insurance shall cover such marine, transit and other hazards incident to purchase and importation of the goods into

the territory of the Guarantor and shall be for such amounts as shall be consistent with sound commercial practices. Such insurance shall be payable in dollars or in the currency in which the cost of the goods insured thereunder shall be payable.

(b) In addition, the Borrower shall take out and maintain, or cause to be taken out or maintained, with responsible insurers, insurance against such risks and in such amounts as shall be consistent with sound commercial, industrial and business practices.

Section 5.09. In the case of any credit or credits exceeding in the aggregate Escudos 250,000 extended by the Borrower for Project purposes to a single debtor, the Borrower agrees to submit such information about the proposed credit or credits as the Bank shall reasonably request. The Borrower further agrees that it will not grant any such credits without prior approval of the Bank.

Section 5.10. The Borrower undertakes to use the proceeds of payments it receives pursuant to Project credits (not currently required to service the Loan) primarily to continue the Livestock Development Program or, failing suitable opportunities to lend for that purpose, to foster additional agricultural development by making further credits to farmers and to private agricultural enterprises.

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

MISCELLANEOUS

Section 7.01. The Closing Date shall be December 31, 1966, or such other date as shall be agreed by the Bank and the Borrower as the Closing Date.

Section 7.02. A date sixty days after the date of this Agreement is hereby specified for the purposes of Section 9.04 of the Loan Regulations.

Section 7.03. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Borrower :

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.

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 J. Burke KNAPP
Vice President

Corporación de Fomento de la Producción :

By José ZABALA
Authorized Representative

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>
January 1, 1969	\$725,000	January 1, 1974	\$950,000
July 1, 1969	745,000	July 1, 1974	980,000
January 1, 1970	765,000	January 1, 1975	1,005,000
July 1, 1970	785,000	July 1, 1975	1,030,000
January 1, 1971	810,000	January 1, 1976	1,060,000
July 1, 1971	830,000	July 1, 1976	1,090,000
January 1, 1972	855,000	January 1, 1977	1,120,000
July 1, 1972	875,000	July 1, 1977	1,150,000
January 1, 1973	900,000	January 1, 1978	1,180,000
July 1, 1973	925,000	July 1, 1978	1,220,000

* 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.

PREMIUMS ON PREPAYMENTS AND REDEMPTIONS

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 three years before maturity	½%
More than three years but not more than six years before maturity	2%
More than six years but not more than eleven years before maturity	3½%
More than eleven years but not more than thirteen years before maturity	4½%
More than thirteen years before maturity	5½%

SCHEDULE 2

DESCRIPTION OF PROJECT

The Project is part of Chile's Ten-Year National Livestock Development Program to increase livestock production through the establishment of improved type pastures; the construction of complementary buildings and the installation of dairy farming equipment and farm roads; stock handling and watering facilities; the provision of livestock; and the expansion and administration of agricultural advisory services and of animal health services. The Ten-Year Program has been prepared by and the Project will be administered by the Borrower.

A. The Project consists of the extension of credit by the Borrower to farmers and others in connection with :

1. The establishment of about 335,000 hectares of improved type pasture by the sowing of appropriate seed species, suitable soil preparation and the application of fertilizers;

2. Fencing and providing stock watering facilities to permit efficient use of the areas of pasture so established;

3. Construction of farm buildings and other facilities required for stock handling, fodder conservation and sheltering farm machinery which contribute to livestock development;

4. Purchase and utilization of machinery and equipment for the preparation of land, the establishment of pasture and its subsequent use and management;

5. Purchase and utilization of machinery, equipment and implements for the dairy and stock farming associated with the Project; and

6. Importation of pedigree or selected breeding stock for livestock improvement.

Funds for credits to farmers and private agricultural enterprises for the purposes listed shall be derived not only from the proceeds of the Loan, but also from the Borrower's operations and from funds made available to the Borrower by the Guarantor.

It is expected that Part A of the Project will be completed in about three years.

B. As part of the Project, arrangements will be made for the provision to farmers to whom credit has been extended, of :

1. Livestock health services; and
 2. Technical guidance in the establishment and management of pastures as required for efficient utilization and maintenance.
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