

No. 8251

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

**Loan Agreement—*Second Livestock Project* (with annexed  
Loan Regulations No. 3). Signed at Washington, on  
30 March 1965**

*Official text : English.*

*Registered by the International Bank for Reconstruction and Development on 12 July  
1966.*

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

**Contrat d'emprunt — *Deuxième projet relatif à l'amélioration du cheptel* (avec, en annexe, le Règlement n° 3 sur les emprunts). Signé à Washington, le 30 mars 1965**

*Texte officiel anglais.*

*Enregistré par la Banque internationale pour la reconstruction et le développement le  
12 juillet 1966.*

No. 8251. LOAN AGREEMENT<sup>1</sup> (*SECOND LIVESTOCK PROJECT*) BETWEEN REPUBLICA ORIENTAL DEL URUGUAY AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 30 MARCH 1965

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AGREEMENT, dated March 30, 1965 between REPÚBLICA 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, as amended by Law No. 12746 of August 4, 1960, 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 has the responsibility of directing and supervising the execution of such plan ;

WHEREAS, by a loan agreement dated December 30, 1959, <sup>2</sup> between the Borrower and the Bank, the Bank agreed to make a loan to the Borrower in various currencies equivalent to \$7,000,000 for the purpose of financing a project for the implementation of such plan in its first five years ;

WHEREAS, the Borrower is determined to continue 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 Banco de la República Oriental del Uruguay is willing to make funds available for the further implementation of such plan as hereinafter provided ;

WHEREAS, the Bank is willing at this time to make a loan to the Borrower, upon the terms and conditions hereinafter set forth, for the purpose of contributing to the further implementation of such plan ;

NOW THEREFORE the parties hereto hereby agree as follows :

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<sup>1</sup> Came into force on 28 December 1965, upon notification by the Bank to the Government of Uruguay.

<sup>2</sup> United Nations, *Treaty Series*, Vol. 384, p. 275.

*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 February 15, 1961<sup>1</sup> (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.

*Section 1.02.* Except where the context otherwise requires, the following terms have the following meanings wherever used in this Agreement :

- (a) "Law No. 12394" means the Law No. 12394 of the Borrower dated July 2, 1957, as amended by Law No. 12746 of the Borrower dated August 4, 1960, providing for a plan of technical improvement of livestock and agricultural production and for the creation of a Livestock Fund.
- (b) "Honorary Commission" means Comisión Honoraria del Plan Agropecuario created pursuant to the Law No. 12394.
- (c) "Bank of the Republic" means Banco de la República Oriental de Uruguay.

*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 twelve million seven hundred thousand dollars (\$12,700,000).

*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, this Agreement and the Loan Regulations.

*Section 2.03.* The Borrower shall pay to the Bank a commitment charge at the rate of three-eighths of one per cent ( $\frac{3}{8}$  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 Borrower and the Bank shall otherwise agree, the charge payable for special commitments entered into by the Bank at the request of

<sup>1</sup> See p. 64 of this volume.

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 1 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 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 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 and in conformity with sound agricultural and financial practices.

(b) The Borrower, in accordance with the provisions of Law No. 12394, shall cause technical experts acceptable to the Bank to be employed by the Honorary Commission upon terms and conditions satisfactory to the Borrower, the Honorary Commission and the Bank, to assist in the carrying out of the Project.

(c) The Borrower shall ensure at all times that the operating policies referred to in paragraph (d) below are duly carried out, and particularly that credit is made promptly available to farmers participating in the Project. (i) In this connection, the Borrower shall make arrangements with the Bank of the Republic whereby the Bank of the Republic will undertake to make available, in accordance with the said operating policies, funds in the currency of the Borrower in amounts equivalent to not less than four million dollars to contribute to the financing of the Project. (ii) 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 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.

(d) The operating policies for the carrying out of the Project, including the provision of funds by the Bank of the Republic and the terms and conditions of the loans to farmers participating in the Project, shall be agreed upon from time to time between the Bank and both the Bank of the Republic and the Honorary Commission.

(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 or cause to be furnished 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.

(f) Except as the Bank shall otherwise agree, the Borrower shall cause the accounts relating to the funds for the Project and the accounts of the Honorary Commission to be audited at least once a year by an accountant acceptable to the Bank and shall cause a signed copy of the accountant's report to be furnished to the Bank promptly after its preparation.

*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 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 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 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 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.* Except as shall be otherwise agreed between the Borrower and the Bank, 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 Borrower 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.

*Section 5.08.* (a) The Borrower shall inform the Bank of any proposed action which would amend, waive or abrogate any provision of Law No. 12394 and shall afford the Bank a reasonable opportunity, in advance of the taking of such action, to exchange views with the Borrower with respect thereto.

(b) The *Reglamento Interno* of the Honorary Commission, as approved by Decree dated January 30, 1958, shall be modified only by mutual agreement between the Borrower and the Bank.

*Section 5.09.* Except as the Bank shall otherwise agree, the Borrower shall 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 by the Honorary Commission for the execution of the Project.

*Section 5.10.* The Borrower shall provide the Honorary Commission with such funds as are required for the operating expenses of the Honorary Commission.

*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 (h) of Section 5.02 of the Loan Regulations shall occur, or (iii) 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.

*Section 6.02.* The following is hereby specified as an additional event for the purposes of Section 5.02 (h) of the Loan Regulations, namely, a default shall have occurred in the performance of any covenant or agreement on the part of the Borrower under the Loan Agreement dated December 30, 1959 between the Borrower and the Bank, or the bonds therein provided for.

*Article VII*

## MODIFICATIONS OF LOAN AGREEMENT DATED DECEMBER 30, 1959

*Section 7.01.* For the purposes of the Loan Agreement dated December 30, 1959, between the Borrower and the Bank, paragraph (c) of Section 5.02 of Loan Regulations No. 3 of the Bank, dated June 15, 1956, is amended to read :

“(c) A default shall have occurred in the performance of any other covenant or agreement on the part of the Borrower under the Loan Agreement or the Bonds, or under the Loan Agreement dated March 30, 1965, or the bonds therein provided for” ;

and the term “Loan Regulations” as used for the purposes of the said Loan Agreement shall mean Loan Regulations No. 3 of the Bank, dated June 15, 1956, as amended by said Loan Agreement and as further amended hereby.

*Article VIII*

## EFFECTIVE DATE ; TERMINATION

*Section 8.01.* 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 Borrower shall have made the arrangements referred to in Section 5.01 (c) (i) above in form satisfactory to the Bank.

(b) The Borrower shall have made arrangements satisfactory to the Bank to provide the Honorary Commission with adequate operating funds as provided in Section 5.10 above.

*Section 8.02.* The following is specified as an additional matter, within the meaning of Section 9.02 (c) of the Loan Regulations, to be included in the opinion or opinions to be furnished to the Bank, namely, that the arrangements referred to in paragraphs (a) and (b) of Section 8.01 are legally valid and binding.

*Section 8.03.* 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 IX

#### MISCELLANEOUS

*Section 9.01.* The Closing Date shall be December 31, 1969, or such other date as shall be agreed upon by the Borrower and the Bank.

*Section 9.02.* 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

Alternative address for cablegrams and radiograms :

Ministerio Hacienda  
Montevideo

With copies to :

Comisión Honoraria del Plan Agropecuario  
Magallanes 1682  
Montevideo, Uruguay  
and

Banco de la República Oriental del Uruguay  
Cerrito y Zabala  
Montevideo, Uruguay

For the Bank :

International Bank for Reconstruction and Development  
1818 H Street, N. W.  
Washington, D.C. 20433  
United States of America

Alternative address for cablegrams and radiograms :

Intbafrad  
Washington, D.C.

*Section 9.03.* The Honorary Commission acting on behalf of the Borrower is designated and fully authorized 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 W. FERREIRA ALDUNATE  
Authorized Representative

International Bank for Reconstruction and Development :

By George D. WOODS  
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>
June 1, 1970 . . . . .	\$485,000	June 1, 1975 . . . . .	\$635,000
December 1, 1970 . . . . .	500,000	December 1, 1975 . . . . .	655,000
June 1, 1971 . . . . .	510,000	June 1, 1976 . . . . .	670,000
December 1, 1971 . . . . .	525,000	December 1, 1976 . . . . .	690,000
June 1, 1972 . . . . .	540,000	June 1, 1977 . . . . .	710,000
December 1, 1972 . . . . .	555,000	December 1, 1977 . . . . .	730,000
June 1, 1973 . . . . .	570,000	June 1, 1978 . . . . .	750,000
December 1, 1973 . . . . .	585,000	December 1, 1978 . . . . .	770,000
June 1, 1974 . . . . .	600,000	June 1, 1979 . . . . .	790,000
December 1, 1974 . . . . .	620,000	December 1, 1979 . . . . .	810,000

\* 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 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 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 the second stage of the livestock development plan of the Borrower and consists of :

- (a) the improvement of about 400,000 hectares of grass land by the introduction and establishment of more productive types of pasture legumes and grasses, and the assistance in the efficient use of the improved pastures by the provision of ancillary farm improvements and additional livestock ;
- (b) the fostering of local production and use of pasture seeds ; and
- (c) the provision of related technical services.

It is expected that the Project will require up to four years for its implementation.

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.*]