

No. 8261

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

Guarantee Agreement—*Vocational Training Project* (with annexed Loan Regulations No. 4, Loan Agreement between the Bank and the Corporación de Fomento de la Producción and Project Agreement between the Bank and the Servicio de Cooperación Técnica). Signed at Washington, on 6 October 1965

Official text : English.

Registered by the International Bank for Reconstruction and Development on 19 July 1966.

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

Contrat de garantie — *Projet relatif à la formation professionnelle* (avec, en annexe, le Règlement n° 4 sur les emprunts, le Contrat d'emprunt entre la Banque et la Corporación de Fomento de la Producción et le Contrat relatif au Projet entre la Banque et le Servicio de Cooperación Técnica). Signé à Washington, le 6 octobre 1965

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 19 juillet 1966.

No. 8261. GUARANTEE AGREEMENT¹ (*VOCATIONAL TRAINING PROJECT*) BETWEEN THE REPUBLIC OF CHILE AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 6 OCTOBER 1965

AGREEMENT, dated October 6, 1965, 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 two million seven hundred and fifty thousand dollars (\$2,750,000), 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, 1961,² subject, however, to the modifications thereof set forth in Section 1.02 of the Loan Agreement (said Loan Regulations No. 4 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 23 December 1965, upon notification by the Bank to the Government of Chile.

² See p. 302 of this volume.

Section 1.02. Wherever used in this Guarantee Agreement, unless the context shall otherwise require, the terms 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 unconditionally 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, the Project Agreement¹ 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 restriction imposed under the laws of the Guarantor or laws in effect in its territories.

Section 3.06. The Guarantor shall cause the buildings of its Ministry of Education which are presently utilized by the Servicio for its vocational training activities, or equivalent facilities, to be continually available to the Servicio as required for the operation of the Project. The Guarantor shall cause these buildings to be adequately maintained, and shall cause from time to time all necessary renewals and repairs to be made thereto.

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

¹ See p. 316 of this volume.

the Borrower. The Minister of Finance of the Guarantor and such person or persons as he shall appoint 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, D.C. 20433
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 Radomiro TOMIC
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

(VOCATIONAL TRAINING PROJECT)

AGREEMENT, dated October 6, 1965, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and CORPORACIÓN DE FOMENTO DE LA PRODUCCIÓN (hereinafter called the Borrower).

WHEREAS the Servicio de Cooperación Técnica, an affiliate of the Borrower, was established to improve productivity and manpower resources in Chile ;

WHEREAS the Servicio de Cooperación Técnica is carrying out a vocational training program which requires expansion to meet present and foreseeable manpower needs in Chile ;

WHEREAS the Borrower is willing to make funds available for the expansion of such program as hereinafter provided ;

WHEREAS the Bank is willing at this time to make a loan to the Borrower, upon the terms and conditions set forth herein and in a project agreement of even date herewith¹ between the Bank and the Servicio de Cooperación Técnica, for the purpose of contributing the expansion of such program ;

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. 4 of the Bank dated February 15, 1961,² subject, however, to the modifications thereof set forth in Section 1.02 of this Agreement (said Loan Regulations No. 4 as so modified being hereinafter called the Loan 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 provisions of the Loan Regulations shall be deemed to be modified as follows :

(a) by inserting in Sections 5.06, 7.01 and 7.03 the words “, the Project Agreement” after the words “the Loan Agreement” wherever they occur ; and

¹ See p. 316 of this volume.

² See above.

(b) by the deletion of Section 7.02 and the substitution therefore of the following Section :

“SECTION 7.02. *Obligations of the Guarantor.* The obligations of the Guarantor under the Guarantee Agreement shall not be discharged except by performance and then only to the extent of such performance. Such obligations shall not be subject to any prior notice to, demand upon or action against the Borrower or the Servicio or to any prior notice to or demand upon the Guarantor with regard to any default by the Borrower or the Servicio, and shall not be impaired by any of the following : any extension of time, forbearance or concession given to the Borrower or the Servicio ; any assertion of, or failure to assert, or delay in asserting, any right, power or remedy against the Borrower or the Servicio or in respect of any security for the Loan ; any modification or amplification of the provisions of the Loan Agreement contemplated by the terms thereof ; any failure of the Borrower or the Servicio to comply with any requirement of any law, regulation or order of the Guarantor or of any political subdivision or agency of the Guarantor.”

Section 1.03. Except where the context otherwise requires, the following terms have the following meanings wherever used in the Loan Agreement :

(a) The term “Servicio” means the Servicio de Cooperación Técnica.

(b) The term “Project Agreement” means the agreement between the Bank and the Servicio of even date herewith, and shall include any amendments thereof made by agreement between the Bank and the Servicio.

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 two million seven hundred and fifty thousand dollars (\$2,750,000).

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 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 May 15 and November 15 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, the Borrower and the Servicio, 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 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 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 cause the Project to be carried out with due diligence and efficiency and in conformity with sound technical, administrative and financial practices, and to be operated so as to promote the vocational training objectives of the Servicio.

(b) The Borrower shall take all action necessary or appropriate to enable the Servicio to perform all its covenants and agreements under the Project Agreement.

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

Section 5.02. (a) The Bank and the Borrower 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 to the Loan.

(b) The Bank and the Borrower 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, the maintenance of the service thereof or the performance by the Borrower of its obligations under the Loan Agreement.

Section 5.03. 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 Borrower ; and shall enable the Bank's representatives to inspect the goods and any relevant records and documents.

Section 5.04. 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 5.05. 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 Project Agreement, the Guarantee Agreement¹ 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 5.06. 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 Project Agreement, the Guarantee Agreement or the Bonds.

Section 5.07. 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

¹ See p. 294 of this volume.

goods financed with the proceeds of the Loan. Such insurance shall cover such marine, transit and other risks incident to delivery of the goods into the territories of the Guarantor and to the appropriate site in the Project, and shall be for such amounts as shall be consistent with sound commercial practice. Such insurance shall be payable in freely convertible currencies or in the currency in which the cost of the goods insured thereunder shall be payable.

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 (j) 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 (j) of the Loan Regulations, namely, a default shall have occurred in the performance of any covenant or agreement on the part of the Servicio under the Project Agreement.

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 (c) of the Loan Regulations :

(a) the execution and delivery of the Project Agreement on behalf of the Servicio have been duly authorized or ratified by all necessary corporate and governmental action ; and

(b) the Servicio shall have entered into arrangements, satisfactory to the Bank, under which the Servicio shall have access to the land required for the Project.

Section 7.02. 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 Project Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Servicio and constitutes a valid and binding obligation of the Servicio in accordance with its terms.

Section 7.03. A date 60 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, 1968, or such other date as shall be agreed by the Bank and the Borrower.

Section 8.02. 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, D.C. 20433
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 Enrique VIAL
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>
May 15, 1975	\$35,000	November 15, 1985 . . .	\$65,000
November 15, 1975 . . .	40,000	May 15, 1986	65,000
May 15, 1976	40,000	November 15, 1986 . . .	70,000
November 15, 1976 . . .	40,000	May 15, 1987	70,000
May 15, 1977	40,000	November 15, 1987 . . .	75,000
November 15, 1977 . . .	40,000	May 15, 1988	75,000
May 15, 1978	45,000	November 15, 1988 . . .	75,000
November 15, 1978 . . .	45,000	May 15, 1989	80,000
May 15, 1979	45,000	November 15, 1989 . . .	80,000
November 15, 1979 . . .	45,000	May 15, 1990	85,000
May 15, 1980	50,000	November 15, 1990 . . .	85,000
November 15, 1980 . . .	50,000	May 15, 1991	90,000
May 15, 1981	50,000	November 15, 1991 . . .	90,000
November 15, 1981 . . .	55,000	May 15, 1992	95,000
May 15, 1982	55,000	November 15, 1992 . . .	95,000
November 15, 1982 . . .	55,000	May 15, 1993	100,000
May 15, 1983	55,000	November 15, 1993 . . .	100,000
November 15, 1983 . . .	60,000	May 15, 1994	105,000
May 15, 1984	60,000	November 15, 1994 . . .	105,000
November 15, 1984 . . .	60,000	May 15, 1995	115,000
May 15, 1985	65,000		

* 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 four years before maturity	½ %
More than four years but not more than eight years before maturity	1 %
More than eight years but not more than fourteen years before maturity	1½ %
More than fourteen years but not more than twenty years before maturity	2½ %
More than twenty years but not more than twenty-six years before maturity	3½ %
More than twenty-six years but not more than twenty-eight years before maturity	4½ %
More than twenty-eight years before maturity	5½ %

SCHEDULE 2

DESCRIPTION OF PROJECT

The Project consists of providing accelerated vocational training by the Servicio, in a variety of needed skills, to approximately 14,000 workers per year, in addition to the some 16,000 workers now being so trained annually, and includes :

- (1) Constructing and equipping 7 new Servicio vocational training centers.
- (2) Modifying structurally and further equipping 3 existing Servicio vocational training centers.
- (3) Providing additional equipment for 4 existing Servicio vocational training centers.
- (4) Providing additional equipment in 9 industrial schools in which the Servicio is presently giving vocational training.
- (5) Equipping about 18 additional industrial schools so that the Servicio may commence vocational training therein.
- (6) Providing 5 mobile workshops in which the Servicio will give vocational instruction in modern mining methods to independent miners.
- (7) Providing equipment for improved supervision and administration of the Servicio's vocational training program.

Parts (1) through (7) above are expected to be completed by January 1, 1968.

PROJECT AGREEMENT

(VOCATIONAL TRAINING PROJECT)

AGREEMENT, dated October 6, 1965, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and SERVICIO DE COOPERACIÓN TÉCNICA (hereinafter called the Servicio).

WHEREAS, by a Loan Agreement of even date herewith (hereinafter called the Loan Agreement¹) between the Bank and Corporación de Fomento de la Producción (hereinafter called the Borrower), the Bank has agreed to assist in the financing of a project for the expansion of the vocational training program of the Servicio by making available to the Borrower a loan in various currencies equivalent to two million seven hundred and fifty thousand dollars (\$2,750,000), on the terms and conditions set forth in the Loan Agreement but only on condition that the Servicio agree to undertake certain obligations to the Bank as hereinafter in this Project Agreement set forth ; and

WHEREAS the Servicio, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed to undertake the obligations hereinafter set forth ;

NOW THEREFORE the parties hereto hereby agree as follows :

¹ See p. 302 of this volume.

Article I

DEFINITIONS

Section 1.01. Wherever used in this Project Agreement, unless the context shall otherwise require, the several terms defined in the Loan Agreement and in the Loan Regulations (as so defined) shall have the respective meanings therein set forth.

Article II

PARTICULAR COVENANTS OF THE SERVICIO

Section 2.01. (a) The Servicio shall carry out the Project described in Schedule 2 to the Loan Agreement with due diligence and efficiency and in conformity with sound technical, administrative and financial practices, and shall operate the Project so as to promote the vocational training objectives of the Servicio.

(b) The Servicio shall promptly furnish to the Bank the plans, specifications and work schedules for the Project, the Servicio training programs and methods, and any material modifications subsequently made therein, in such detail as the Bank shall reasonably request.

(c) The Servicio shall notify the Bank of any proposal to appoint a General Manager of the Servicio, and shall afford the Bank a reasonable opportunity, in advance of making such appointment, to exchange views with the Servicio with respect to the qualifications and experience of the proposed candidate.

(d) The Servicio 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 Servicio ; 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, and the administration, operations and financial condition of the Servicio.

Section 2.02. (a) The Bank and the Servicio 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 Project.

(b) The Bank and the Servicio shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan. The Servicio 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 performance by the Servicio of its obligations under this Agreement.

Section 2.03. The Servicio shall cause the physical plants and equipment included in the Project to be adequately maintained and shall cause from time to time all necessary renewals and repairs to be made thereto.

Section 2.04. The Servicio shall, in respect of the Project, take out and maintain with responsible insurers, insurance against such risks and in such amounts as shall be consistent with sound commercial, industrial and business practice.

Section 2.05. The Servicio shall take all steps necessary to acquire, maintain and renew such rights, powers and privileges as may be necessary or proper for the carrying out and operation of the Project.

Section 2.06. Except as the Bank and the Servicio shall otherwise agree, the Servicio shall cause all goods financed out of the proceeds of the Loan to be used exclusively in the carrying out of the Project.

Article III

EFFECTIVE DATE ; TERMINATION

Section 3.01. This Agreement shall enter into force and effect on the Effective Date. If, pursuant to Section 9.04 of the Loan Regulations, the Bank shall terminate the Loan Agreement, the Bank shall promptly notify the Servicio thereof, and upon the giving of such notice, this Agreement and all obligations of the parties hereunder shall forthwith terminate.

Section 3.02. If and when the entire principal amount of the Loan and the Bonds and the premium, if any, on the prepayment of the Loan and on the redemption of all Bonds called for redemption (as the case may be) and all interest and other charges which shall have accrued on the Loan and the Bonds shall have been paid, this agreement and all obligations of the parties thereunder shall forthwith terminate.

Article IV

MISCELLANEOUS PROVISIONS

Section 4.01. No delay in exercising, or omission to exercise, any right, power, or remedy accruing to either party under this Agreement upon any default shall impair any such right, power or remedy or be construed to be a waiver thereof or an acquiescence in such default ; nor shall the action of such party in respect of any default, or any acquiescence in any default, affect or impair any right, power or remedy of such party in respect of any other or subsequent default.

Section 4.02. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cablegram or radiogram to the party to which it is required or permitted to be given or made at its address hereinafter specified, or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are :

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.

For the Servicio :

Servicio de Cooperación Técnica
Huérfanos 1147, Piso 9
Santiago, Chile

Alternative address for cablegrams and radiograms :

Sercotec
Santiago

Section 4.03. Any action required or permitted to be taken, and any documents required or permitted to be executed under this Agreement on behalf of the Servicio may be taken or executed by the General Manager of the Servicio or such other person or persons as he shall designate in writing.

Section 4.04. This Agreement may be executed in several counterparts, each of which shall be an original and all collectively but one instrument.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Project 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

Servicio de Cooperación Técnica :

By Enrique VIAL
Authorized Representative