

No. 9365

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
and
COSTA-RICA**

Guarantee Agreement—*Agricultural Credit Project* (with annexed Loan Regulations No. 4, as amended, and Loan Agreement between the Bank and the Banco Central de Costa Rica). Signed at Washington, on 5 June 1968

Official text: English.

Registered by the International Bank for Reconstruction and Development on 27 December 1968.

**BANQUE INTERNATIONALE POUR
LA RECONSTRUCTION ET LE DÉVELOPPEMENT
et
COSTA RICA**

Contrat de garantie — *Projet relatif au crédit agricole* (avec, en annexe, le Règlement n° 4 sur les emprunts, tel qu'il a été modifié, et le Contrat d'emprunt entre la Banque et le Banco Central de Costa Rica). Signé à Washington, le 5 juin 1968

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 27 décembre 1968.

No. 9365. GUARANTEE AGREEMENT¹ (*AGRICULTURAL CREDIT PROJECT*) BETWEEN THE REPUBLIC OF COSTA RICA AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 5 JUNE 1968

AGREEMENT, dated June 5, 1968, between REPUBLICA DE COSTA RICA (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 Banco Central de Costa Rica (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 three million dollars (\$3,000,000), 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, 1961 as amended February 9, 1967,² subject, however, to the modifications thereof set forth in Section 1.01 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.

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 December 1968, upon notification by the Bank to the Government of Costa Rica.

² See p. 282 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.

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 or (ii) 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 Costa Rica or any other institution performing the functions of a central bank.

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, and free from all restrictions, 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 taxes 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 Guarantor.

Section 3.04. This Guarantee 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.

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 *Ministro de Hacienda* 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 :

Ministro de Hacienda
San José, Costa Rica

Cable address :

Minhacienda
San José

For the Bank :

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

Cable address :

Intbafrad
Washington, D.C.

Section 5.02. The *Ministro de Hacienda* 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 to be delivered in the District of Columbia, United States of America, as of the day and year first above written.

Republica de Costa Rica :
By José Joaquín TREJOS
Authorized Representative

International Bank for Reconstruction and Development :
By Robert S. McNAMARA
President

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 4, DATED 15 FEBRUARY 1961,
AS AMENDED 9 FEBRUARY 1967

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

[*Not published herein. See United Nations, Treaty Series,
Vol. 598, p. 270.*]

LOAN AGREEMENT
(*AGRICULTURAL CREDIT PROJECT*)

AGREEMENT, dated June 5, 1968, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and BANCO CENTRAL DE COSTA RICA (hereinafter called the Borrower).

Article I

LOAN REGULATIONS; SPECIAL DEFINITIONS

Section 1.01. The parties to this Agreement accept all the provisions of Loan Regulations No. 4 of the Bank, dated February 15, 1961 as amended February 9, 1967,¹ with the same force and effect as if they were fully set forth herein, subject, however, to the

¹ See above.

following modification thereof (said Loan Regulations No. 4 as so modified, being hereinafter called the Loan Regulations), namely, Sections 3.02 and 4.01 of the Loan Regulations are deleted.

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

- (a) "Commercial Banks" means Banco Nacional de Costa Rica, Banco de Costa Rica, Banco Anglo-Costarricense and Banco Crédito Agrícola de Cartago, or any of them; and
- (b) "Bank Loan Agreements" means the Loan Agreements dated May 4, 1960 and September 6, 1961, respectively, between the Bank and the Borrower, as the same may be amended from time to time by agreement between the Bank and the Borrower.

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower an amount in various currencies equivalent to three million dollars (\$3,000,000).

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 this Agreement and the Loan Regulations.

Section 2.03. Except as the Bank shall otherwise agree, the Borrower shall be entitled to withdraw from the Loan Account the equivalent of a percentage or percentages to be established from time to time by agreement between the Bank and the Borrower or (i) the amounts actually disbursed by the Commercial Banks to beneficiaries under loans included in the Project and (ii) the cost of technical services contracted to carry out the Project; provided, however, that no withdrawals shall be made on account of (a) expenditures prior to March 1, 1968 or (b) expenditures in the territories of any country which is not a member of the Bank (other than Switzerland) or for goods produced in (including services supplied from) such territories.

Section 2.04. Withdrawals from the Loan Account shall be made in dollars or such other freely convertible currency or currencies as the Bank shall from time to time reasonably select.

Section 2.05. 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 from the Loan Account.

Section 2.06. The Borrower shall pay interest at the rate of six and one-quarter per cent ($6\frac{1}{4}\%$) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

Section 2.07. 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 commitment outstanding from time to time.

Section 2.08. Interest and other charges shall be payable semi-annually on February 1 and August 1 in each year.

Section 2.09. 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 carry out the Project. The specific allocation of the proceeds of the Loan, and the methods and procedures for procurement of the goods to be financed out of such proceeds, shall be determined by agreement between the Bank and the Borrower, subject to modification by further agreement between them.

Section 3.02. Except as the Bank and the Borrower shall otherwise agree, the Borrower shall cause all goods financed out of the proceeds of the Loan to be used exclusively in the territories of the Guarantor.

Article IV

BONDS

Section 4.01. If and as the Bank shall from time to time request, the Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in Article VI of the Loan Regulations.

Section 4.02. The *Presidente* and the *Gerente* of the Borrower are designated as authorized representatives of the Borrower for the purpose of Section 6.12 (a) of the Loan Regulations. The *Presidente* and the *Gerente* of the Borrower may designate additional or other authorized representatives by appointment in writing notified to the Bank.

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, economic and financial practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

(b) The Borrower shall employ or cause to be employed technical experts acceptable to the Bank, to an extent and upon terms and conditions satisfactory to the Bank and the Borrower, to assist in the carrying out of the Project.

(c) The operating policies and procedures for the carrying out of the Project, including 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 the Borrower, and the Borrower shall ensure at all times that said policies and procedures are duly carried out.

(d) The Borrower shall maintain records adequate to identify the allocation of the proceeds of the Loan and the goods financed therefrom, to disclose the use thereof in the Project, to record separately from its other operations the progress of the Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the operation and financial condition of the Commercial Banks participating in the Project; shall enable the Bank's representatives to inspect the Project, the goods and any relevant records and documents; and shall furnish to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the Project, the goods, and the administration, operation and financial condition of the Commercial Banks participating in 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 of 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 or the maintenance of the service thereof.

Section 5.03. Except as the Bank shall otherwise agree, the Borrower shall transmit to the Bank, promptly after its preparation and not later than four months after the close of the Borrower's fiscal year, a copy of the financial statement (balance sheet and profit and loss statement) of each Commercial Bank participating in the Project and a statement of the accounts of each of said Commercial Banks and of the Borrower relating to the Project, certified annually by an accountant acceptable to the Bank, together with a signed copy of the accountant's report.

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

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 its territories on or in connection with the execution, issue, delivery or registration of the Loan 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 taxes 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 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 the Loan Agreement, the Guarantee Agreement or the Bonds.

Article VI

REMEDIES OF THE BANK

Section 6.01. (i) If any event specified in paragraph (a), 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 a default shall occur in the payment of principal or interest or any other payment required under any other Loan Agreement between the Bank and the Borrower or under any Bond delivered pursuant thereto or under Credit Agreement between the Association and the Borrower and such default shall continue for a period of thirty days, or (iii) if a default shall occur in the payment of principal or interest or any other payment required under any Loan Agreement or under any Guarantee Agreement between the Guarantor and the Bank or under any Bond delivered pursuant to any such agreement or under any Credit Agreement between the Association and the Guarantor under circumstances which would make it unlikely that the Guarantor would meet its obligations under the Guarantee Agreement and such default shall continue for a period of thirty days, or (iv) 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 Bank and the Borrower hereby agree that for the purposes of each of the Bank Loan Agreements and this Loan Agreement, respectively, an event referred to in paragraph (c) of Section 5.02 of the Loan Regulations No. 4 of the Bank applicable to any such Agreement shall be deemed to be an event under paragraph (c) of Section 5.02 of the Loan Regulations No. 4 of the Bank applicable to any other such Agreement.

Article VII

EFFECTIVE DATE; TERMINATION

Section 7.01. The following event is specified as an additional condition to the effectiveness of this Agreement within the meaning of Section 9.01 (c) of the Loan Regu-

lations, namely, the Borrower shall have appointed three technical experts pursuant to Section 5.01 (b) of this Agreement.

Section 7.02. If this Agreement shall not have come into force and effect by August 31, 1968, this Agreement and all obligations of the parties hereunder shall terminate, unless the Bank, after consideration of the reasons for the delay, establishes a later date for purposes of this Section. The Bank shall promptly notify the Borrower and the Guarantor of such later date.

Article VIII

MISCELLANEOUS

Section 8.01. The Closing Date shall be June 1, 1971 or such later date as may be agreed by the Bank.

Section 8.02. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Bank :

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

Cable address :

Intbafrad
Washington, D.C.

For the Borrower :

Banco Central de Costa Rica
San José
Costa Rica

Cable address :

Bancentral
San José

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Agreement to be signed in their respective names and to be 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 Robert S. McNAMARA
President

Banco Central de Costa Rica :

By Omar DENGÓ
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>
August 1, 1973	60,000	August 1, 1981	95,000
February 1, 1974	60,000	February 1, 1982	100,000
August 1, 1974	60,000	August 1, 1982	100,000
February 1, 1975	65,000	February 1, 1983	105,000
August 1, 1975	65,000	August 1, 1983	110,000
February 1, 1976	70,000	February 1, 1984	110,000
August 1, 1976	70,000	August 1, 1984	115,000
February 1, 1977	75,000	February 1, 1985	120,000
August 1, 1977	75,000	August 1, 1985	125,000
February 1, 1978	75,000	February 1, 1986	125,000
August 1, 1978	80,000	August 1, 1986	130,000
February 1, 1979	80,000	February 1, 1987	135,000
August 1, 1979	85,000	August 1, 1987	140,000
February 1, 1980	90,000	February 1, 1988	145,000
August 1, 1980	90,000	August 1, 1988	150,000
February 1, 1981	95,000		

* 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	1/2%
More than three years but not more than six years before maturity	1 1/2%
More than six years but not more than eleven years before maturity	2 1/2%
More than eleven years but not more than sixteen years before maturity	3 3/4%
More than sixteen years but not more than eighteen years before maturity	5%
More than eighteen years before maturity	6 1/4%

SCHEDULE 2

DESCRIPTION OF PROJECT

The Project is a 3-year lending program of the Borrower to be carried out through Commercial Banks, for increasing the production of beef cattle, bananas, cotton and pineapples. The Project includes the provision of medium and long-term loans to agricultural producers for investment in land preparation, pasture improvement, fertilizer, herbicides and insecticides, fencing, water facilities, handling facilities, breeding stock and semen, farm buildings, machinery and equipment, expansion of cotton ginning capacity and technical services to producers and processors.
