

No. 9590

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
and
CHILE

Loan Agreement—*Second Highway Maintenance Project*
(with annexed Loan Regulations No. 3, as amended).
Signed at Washington on 19 September 1968

Authentic text: English.

*Registered by the International Bank for Reconstruction and Development on
30 May 1969.*

BANQUE INTERNATIONALE POUR
LA RECONSTRUCTION ET LE DÉVELOPPEMENT
et
CHILI

Contrat d'emprunt — *Deuxième projet relatif à l'entretien
des routes* (avec, en annexe, le Règlement n° 3 sur
les emprunts, tel qu'il a été modifié.) Signé à
Washington le 19 septembre 1968

Texte authentique: anglais.

*Enregistré par la Banque internationale pour la reconstruction et le développement
le 30 mai 1969.*

LOAN AGREEMENT¹

AGREEMENT, dated September 19, 1968, between the REPUBLIC OF CHILE (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

Article I

LOAN REGULATIONS

Section 1.01. The parties to this Agreement accept all the provisions of Loan Regulations No. 3 of the Bank dated February 15, 1961 as amended February 9, 1967² with the same force and effect as if they were fully set forth herein (said Loan Regulations No. 3 being hereinafter called the Loan Regulations).

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 eleven million six hundred thousand dollars (\$11,600,000).

Section 2.02. (a) The Bank shall open a Loan Account on its books in the name of the Borrower and shall credit to such Loan Account the amount of the Loan.

(b) The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, this Agreement and the Loan Regulations and in accordance with the allocation of the proceeds of the Loan set forth in Schedule 1 to this Agreement, as such allocation shall be modified from time to time pursuant to the provisions of such Schedule or by further agreement between the Borrower and the Bank.

Section 2.03. In respect of items under Category IV of Schedule 1, withdrawals from the Loan Account may be made on account of expenditures

¹ Came into force on 25 April 1969, upon notification by the Bank to the Government of Chile.

² See p. 178 of this volume.

therefor made prior to the Effective Date but subsequent to November 1, 1967.

Section 2.04. 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 withdrawn from time to time.

Section 2.05. The Borrower shall pay interest at the rate of six and one-half per cent ($6\frac{1}{2}$ %) per annum on the principal amount of the Loan withdrawn and outstanding from time to time.

Section 2.06. 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 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 2.07. Interest and other charges shall be payable semi-annually on April 1 and October 1 in each year.

Section 2.08. The Borrower shall repay the principal of the Loan in accordance with the Amortization Schedule set forth in Schedule 2 to this Agreement.

Article III

USE OF PROCEEDS OF THE LOAN

Section 3.01. The Borrower shall apply the proceeds of the Loan in accordance with the provisions of this Agreement to expenditures on the Project, described in Schedule 3 to this Agreement.

Section 3.02. Except as the Bank shall otherwise agree, (i) the goods to be financed out of the proceeds of the Loan shall be procured on the basis of international competitive bidding in accordance with the *Guidelines for Procurement under World Bank Loans and IDA Credits* published by the Bank in February 1968, and in accordance with such other procedures supplementary thereto as shall be agreed between the Borrower and the Bank, and (ii) contracts for the procurement of such goods shall be subject to the approval of the Bank.

Section 3.03. 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 exclusively in carrying out the Project.

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 Ambassador of the Republic of Chile to the United States of America is designated as authorized representative of the Borrower for the purposes of Section 6.12 of the Loan Regulations. Such representative may designate additional or other 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 highway-maintenance, engineering, administrative and financial practices, and shall provide, promptly as needed, all funds, facilities, services and other resources required for the purpose.

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

Section 5.02. Upon request from time to time by the Bank, the Borrower shall furnish promptly to the Bank the reports, plans, specifications, contract documents and work schedules for the Project and any material modification subsequently made therein, in such detail as the Bank shall reasonably request.

Section 5.03. (a) The Borrower shall: (i) cause the national highway system of the Borrower to be adequately maintained and cause all necessary repairs thereof to be made, all in accordance with sound engineering practices; and (ii) provide, promptly as needed, the funds, facilities, services and other resources required for the foregoing.

(b) The Borrower shall (i) cause all of its road-maintenance equipment to be adequately maintained and all necessary repairs and renewals thereof to be made, all in accordance with sound engineering practices; and (ii) cause suitable workshops to be established and maintained in suitable places for the foregoing.

(c) The Borrower shall take all necessary action to cause the dimensions and axle loads of the vehicles using the national highway system of the Borrower to be kept within the limits currently provided by the laws and

regulations and to ensure permanent and consistent enforcement thereof, and shall consult with the Bank on all proposals to amend or supplement such laws.

(d) The Borrower shall maintain suitable facilities to collect and record in accordance with sound statistical methods and procedures such technical, economic and financial information as shall be required for the proper planning of maintenance, improvement and extension of the Borrower's national highway system.

Section 5.04. 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, administration and financial condition of the agency or agencies of the Borrower responsible for the carrying out of the Project or any part thereof; 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 to be financed out of the proceeds of the Loan, and the operations, administration and financial condition of the agency or agencies of the Borrower responsible for the carrying out of the Project or any part thereof.

Section 5.05. (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, the maintenance of the service thereof, the Project, and the operations, administration, and financial condition of the agency or agencies of the Borrower responsible for the carrying out of the Project or any part thereof.

(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 or the maintenance of the service thereof.

(d) 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 5.06. The Borrower undertakes to insure or cause to be insured the imported goods to be financed out of the proceeds of the Loan against marine, transit and other hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, and for such insurance any indemnity shall be payable in a currency freely usable by the Borrower to replace or repair such goods.

Section 5.07. 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. 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 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 in 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 Borrower ” as used in this Section includes assets of the Borrower or any of its political subdivisions or of any agency of the Borrower or of any such political subdivision, including the Banco Central de Chile.

Section 5.08. 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 Borrower 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 Borrower.

Section 5.09. This Agreement and the Bonds shall be free from any taxes 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, 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.

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 (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

EFFECTIVE DATE ; TERMINATION

Section 7.01. If this Agreement shall not have come into force and effect by December 23, 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 of such later date.

Article VIII

MISCELLANEOUS

Section 8.01. The Closing Date shall be June 30, 1972 or such other date as may be agreed between the Borrower and the Bank.

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

For the Borrower :

Ministry of Public Works and Transport
Morande 59
Santiago, Chile

Cable address :

Minobras
Santiago

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 8.03. The Minister of Public Works and Transport of the Borrower 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 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.

Republic of Chile :

By Domingo SANTA MARÍA
Authorized Representative

International Bank for Reconstruction and Development

By J. Burke KNAPP
Vice President

SCHEDULE 1

ALLOCATION OF THE PROCEEDS OF THE LOAN

<i>Category</i>	<i>Amount (Expressed in Dollar Equivalents)</i>
I. Acquisition of highway-maintenance, shop and control equipment, and of spare parts, under part A * of the Project	\$ 8,800,000
II. Consulting services for parts A and B (1) of the Project . .	450,000
III. Training of maintenance personnel abroad under part A of the Project, including air fares and subsistence allowances	50,000
IV. Consulting services and acquisition of equipment under part B (2) (a) of the Project	510,000
V. Consulting services for part B (2) (b) of the Project	490,000
VI. Consulting services for part B (3) of the Project	50,000
VII. Unallocated	1,250,000
TOTAL	<u>\$11,600,000</u>

* References are to Schedule 3.

REALLOCATION UPON CHANGE IN COST ESTIMATES

1. If the estimated cost of the items included in any of the Categories I through VI shall decrease, the amount of the Loan then allocated to, and no longer required for, such Category will be reallocated by the Bank to Category VII.

2. If the estimated cost of the items included in any of the Categories I through VI shall increase, an amount equal to the portion, if any, of such increase to be financed out of the proceeds of the Loan will be reallocated by the Bank, at the request of the Borrower, to such Category from Category VII, subject, however, to the requirements for contingencies, as determined by the Bank, in respect of the cost of the items in the other Categories.

SCHEDULE 2

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>
October 1, 1973	220,000	October 1, 1981	370,000
April 1, 1974	230,000	April 1, 1982	385,000
October 1, 1974	235,000	October 1, 1982	395,000
April 1, 1975	245,000	April 1, 1983	410,000
October 1, 1975	255,000	October 1, 1983	420,000
April 1, 1976	260,000	April 1, 1984	435,000
October 1, 1976	270,000	October 1, 1984	450,000
April 1, 1977	280,000	April 1, 1985	465,000
October 1, 1977	285,000	October 1, 1985	480,000
April 1, 1978	295,000	April 1, 1986	495,000
October 1, 1978	305,000	October 1, 1986	510,000
April 1, 1979	315,000	April 1, 1987	525,000
October 1, 1979	325,000	October 1, 1987	545,000
April 1, 1980	335,000	April 1, 1988	565,000
October 1, 1980	350,000	October 1, 1988	585,000
April 1, 1981	360,000		

* To the extent that any portion 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 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 ¹ / ₄ %
More than eighteen years before maturity	6 ¹ / ₂ %

SCHEDULE 3

DESCRIPTION OF THE PROJECT

The Project consists of the following parts :

A. The Four-Year Highway-Maintenance Program of the Borrower to be implemented with the assistance of consultants, including the improvement of maintenance operations, the acquisition of highway-maintenance, shop and control equipment and of spare parts, the extension of workshops and the training of maintenance personnel.

B. Additional consulting and expert services for :

1. The continued supervision of the construction works initiated under the credit granted by the International Development Association to the Borrower on June 28, 1961 ¹ (Credit 4-CH) which are scheduled for completion by June 1970 ;

2. The preparation of a new highway-construction program, including :

a. The carrying out or bringing up to date of feasibility studies of the following thirteen road sections, totaling about 610 km, and the purchase of miscellaneous field and office equipment required to prepare the construction program :

- Puyehue-Limite (70 km)
- Pedregoso-Villarrica (11 km)
- Illapel-Los Vilos (54 km)
- Nogales-Puchuncavi (24 km)
- La Serena-Varillar (65 km)
- Constitución-Las Canas (14 km)
- Constitución-San Javier (79 km)
- San Carlos-San Fabián (42 km)
- San Antonio-Padre Hurtado (87 km)
- San Antonio-Casa Blanca (63 km)
- Papudo-La Laguna (20 km)
- Ovalle-Penon (54 km)
- Penon-Andacollo (27 km)

b. The review and completion of detailed engineering and bidding documents for those road sections identified by the above feasibility studies as having the

¹ United Nations, *Treaty Series*, Vol. 426, p. 89.

highest priority for construction starting in 1969-1970, and which are acceptable to the Bank ; and

3. The provision of expert advice to review present and proposed transport policies and investment planning, and to define the scope of a comprehensive survey of transport coordination to be undertaken subsequently by the Borrower.

The Project is expected to be completed by December 31, 1971.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS NO. 3, DATED 15 FEBRUARY 1961,
AS AMENDED 9 FEBRUARY 1967

REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK TO MEMBER
GOVERNMENTS

[*Not published herein. See United Nations, Treaty Series, Vol. 615, p. 98.*]