

No. 10653

**INTERNATIONAL DEVELOPMENT ASSOCIATION
and
ECUADOR**

Development Credit Agreement—*Interim Second Livestock Development Project* (with annexed General Conditions Applicable to Development Credit Agreements). Signed at Washington on 20 January 1970

Authentic text: English.

Registered by the International Development Association on 11 August 1970.

**ASSOCIATION INTERNATIONALE
DE DÉVELOPPEMENT
et
ÉQUATEUR**

Contrat de crédit de développement — *Deuxième projet intérimaire relatif au développement de l'élevage* (avec, en annexe, les Conditions générales applicables aux contrats de crédit de développement). Signé à Washington le 20 janvier 1970

Texte authentique : anglais.

Enregistré par l'Association internationale de développement le 11 août 1970.

DEVELOPMENT CREDIT AGREEMENT¹

AGREEMENT, dated January 20, 1970, between REPUBLIC OF ECUADOR (hereinafter called the Borrower), BANCO CENTRAL DEL ECUADOR (hereinafter called Banco Central), and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS the International Bank for Reconstruction and Development has made a loan to the Borrower dated June 19, 1967² (Livestock Development Project), Loan 501-EC, for a livestock development project aimed at increasing beef production in selected areas in the territories of the Borrower (hereinafter called the "First Livestock Loan");

WHEREAS the Borrower has requested the Association to provide further financial assistance for the same livestock development project;

WHEREAS the Banco Central is willing to continue to act as the fiscal agent of the Borrower in the carrying out of such livestock development project and to undertake in connection therewith certain obligations as hereinafter set forth; and

WHEREAS the Association is willing to make a credit to the Borrower, on the terms and conditions hereinafter set forth;

NOW THEREFORE the parties hereto hereby agree as follows:

Article I

GENERAL CONDITIONS; DEFINITIONS

Section 1.01. The parties to this Development Credit Agreement accept all the provisions of the General Conditions Applicable to Development Credit Agreements of the Association, dated January 31, 1969,³ with the same force and effect as if they were fully set forth herein, subject, however, to the following modification thereof (said General Conditions

¹ Came into force on 29 June 1970, upon notification by the Association to the Government of Ecuador.

² United Nations, *Treaty Series*, vol. 615, p. 75.

³ See p. 112 of this volume.

Applicable to Development Credit Agreements of the Association, as so modified, being hereinafter called the General Conditions):

The words “or Banco Central” are added after the words “the Borrower” wherever they occur in Section 6.02 (b) and (d) and in Section 7.01 (c).

Section 1.02. Wherever used in this Development Credit Agreement, unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth, and the following additional terms have the following meanings:

(a) “the Project Commission” means the Special Commission established by Executive Decree No. 719 of July 14, 1967 to facilitate the execution of the First Livestock Loan and other similar projects;

(b) “Special Interim Credit Account” means the account and sub-accounts referred to in Section 4.02 of this Agreement;

(c) “Participating Bank” means any financial institution, acceptable to the Association, which shall have become a party to a Second Project Subsidiary Loan Agreement;

(d) “Second Project Subsidiary Loan Agreements” means the agreements to be entered into on terms and conditions satisfactory to the Association between the Borrower, Banco Central and Participating Banks for the purpose of carrying out the Project and shall include any amendments thereto made with the approval of the Association; and

(e) “Lending Program” means the part of the Project described in paragraph A of Schedule 1 to this Development Credit Agreement.

Article II

THE CREDIT

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions in this Development Credit Agreement set forth or referred to, an amount in various currencies equivalent to one million five hundred thousand dollars (\$1,500,000).

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

(b) The amount of the Credit may be withdrawn from the Credit Account as provided in, and subject to the rights of cancellation and suspension set forth in, this Development Credit Agreement.

Section 2.03. The Borrower shall be entitled to withdraw from the Credit Account in respect of the reasonable cost of goods or services required for the Project and to be financed under this Development Credit Agreement the equivalent of seventy-five per cent (75%), or such other percentage as may be agreed from time to time between the Borrower and the Association, of such amounts as shall have been paid (or, if the Association shall so agree, shall be required to meet payments to be made) for loans to farmers; provided that no withdrawals shall be made from the Credit Account in respect of any loan by a Participating Bank under the Lending Program exceeding one hundred thousand dollars (\$100,000) equivalent unless the prior approval of the Association to such loan shall have been obtained.

Section 2.04. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one per cent ($\frac{3}{4}$ of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Service charges shall be payable semi-annually on February 15 and August 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Credit withdrawn from the Credit Account in semi-annual installments payable on each February 15 and August 15 commencing February 15, 1980 and ending August 15, 2019, each installment to and including the installment payable on August 15, 1989 to be one-half of one per cent ($\frac{1}{2}$ of 1%) of such principal amount, and each installment thereafter to be one and one-half per cent ($1\frac{1}{2}$ %) of such principal amount.

Article III

USE OF PROCEEDS OF THE CREDIT

Section 3.01. The Borrower shall cause the proceeds of the Credit to be applied in accordance with the provisions of this Development Credit Agreement to expenditures on Part A of the Project, described in Schedule 1 to this Agreement.

Section 3.02. Except as the Association may otherwise agree, the Borrower shall cause all goods and services financed out of the proceeds of the Credit to be used exclusively in carrying out the Project.

Article IV

PARTICULAR COVENANTS

Section 4.01. (a) The Borrower shall cause the Project to be carried out with due diligence and efficiency and in conformity with sound administrative, financial, economic and agricultural practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

(b) The operating policies and procedures in respect of the carrying out of the Project shall be the same as those which are or have been agreed from time to time between the Bank, the Borrower and Banco Central pursuant to Sections 5.01 (a) and (c) of the First Livestock Loan.

Section 4.02. Banco Central shall (i) establish and administer a Special Interim Credit Account and the necessary sub-accounts, to be used exclusively for the purposes of the carrying out of the Project, and (ii) have the Special Interim Credit Account audited annually by auditors satisfactory to the Association and transmit to the Association promptly after the completion of such audit, and not later than three months after the close of Banco Central's financial year, certified copies of the financial statements relating to the Special Interim Credit Account and a signed copy of the auditor's report relating thereto.

Section 4.03. The Borrower shall enter into arrangements satisfactory to the Association with Banco Central providing for the management, administration and disbursement, by Banco Central, of the proceeds of the Credit, through the Special Interim Credit Account. The Borrower and Banco Central shall exercise their rights pursuant to such arrangements in such a manner as to protect the interests of the Association, the Borrower and Banco Central. Except as the Association shall otherwise agree, the Borrower or Banco Central shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving any provision of such arrangements.

Section 4.04. The Borrower shall cause the Project Commission to oversee and administer the Project on the same terms and conditions as such Commission oversees and administers the First Livestock Loan. The

Borrower shall not take or concur in any action which would have the effect amending, abrogating or otherwise altering Executive Decree No. 719 of July 14, 1967 without prior agreement between the Borrower and the Association.

Section 4.05. The Borrower and Banco Central shall enter into Second Project Subsidiary Loan Agreements with the Participating Banks, on terms and conditions satisfactory to the Association, including those set forth in Schedule 2 to this Development Credit Agreement, providing for the reimbursement by Banco Central, out of the proceeds of the Credit, of such percentage of loans made by any Participating Bank under the Lending Program as may be agreed to from time to time by the Association under Section 2.03 of this Development Credit Agreement. Except as the Association shall otherwise agree, the Borrower and Banco Central shall not take or concur in any action which would have the effect of amending, assigning, abrogating or waiving any provision of any Second Project Subsidiary Loan Agreement.

Section 4.06. The Borrower and Banco Central shall cause the Participating Banks to operate, in respect of the Project, in accordance with sound business, agricultural, administrative, economic and financial practices under the supervision of experienced and competent management. The Borrower and Banco Central shall exercise their rights and fulfill their obligations under the Second Project Subsidiary Loan Agreements in such a manner as to protect the interests of the Association, the Borrower and Banco Central.

Section 4.07. (a) The Borrower and the Association shall cooperate fully to assure that the purposes of the Credit 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 Credit. 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 Association, the Borrower and Banco Central, as the case may be, shall from time to time exchange views through their representatives with regard to: the performance by the Borrower and Banco Central of their respective obligations under or pursuant to this Development Credit Agreement, the expenditure of the proceeds of the Credit, the Project, the Second Project Subsidiary Loan Agreements, the Project Commission, the Special Interim Credit Account, the financial condition of Banco Central, the administration and operations of Banco Central in respect of the Project,

and of any agency or agencies of the Borrower assisting the Borrower in the carrying out of the Project or any part thereof, and other matters relating to the purposes of the Credit and the maintenance of the service thereof. The Borrower and Banco Central, as the case may be, shall promptly inform the Association of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Credit or the maintenance of the service thereof or the performance by the Borrower or by Banco Central of their obligations under or pursuant to this Development Credit Agreement or the Second Project Subsidiary Loan Agreements.

(c) The Borrower shall afford all reasonable opportunity for representatives of the Association to inspect the Project and any documents and records relating thereto and to visit any part of the territories of the Borrower for purposes related to the Credit.

Section 4.08. The Borrower shall cause Banco Central to maintain or cause to be maintained records adequate to identify the goods financed out of the proceeds of the Credit, 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 administration and financial condition of the Special Interim Credit Account; shall enable the Association's representatives to inspect the Project, the goods and any relevant records and documents in respect of the Project; and shall furnish to the Association all such information as the Association shall reasonably request concerning the expenditure of the proceeds of the Credit, the goods financed out of such proceeds, the performance by Banco Central of its obligations under or pursuant to this Development Credit Agreement, the Second Project Subsidiary Loan Agreements, the Project, the Special Interim Credit Account and the administration, operations and financial condition of Banco Central insofar as they may be pertinent to the execution of the Project.

Section 4.09. The principal of, and service charges on, the Credit 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.

Section 4.10. The Development Credit Agreement 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, delivery or registration thereof.

Section 4.11. The Borrower and the Association agree that Section 5.10 of the First Livestock Loan Agreement shall be a part of this Development Credit Agreement, except that the word "Association" shall be substituted for the word "Bank" when such Section 5.10 is treated as a part of this Development Credit Agreement.

Section 4.12. Except as the Borrower and the Association shall otherwise agree, the Borrower shall cause the Participating Banks (i) to use the proceeds of payments which they receive from farmers on account of loans granted under this Credit and which are not currently required by the Participating Banks to service loans under the Second Project Subsidiary Loan Agreements and to recover the portion of loans to farmers not reimbursed by Banco Central, for the purpose of continuing the financing of livestock development in the territories of the Borrower for the life of the Second Project Subsidiary Loan Agreements, and (ii) to provide to farmers who have been granted loans under the Lending Program the short term credits necessary to complement said loans if not otherwise available to them.

Section 4.13. Except as the Association shall otherwise agree, the Borrower undertakes to insure or cause to be insured the imported goods to be financed out of the proceeds of the Credit against marine, transit and other hazards incident to 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.

Article V

REMEDIES OF THE ASSOCIATION

Section 5.01. If any event specified in Section 7.01 of the General Conditions or in Section 5.02 of this Development Credit Agreement shall occur and shall continue for the period, if any, therein set forth, then at any subsequent time during the continuance thereof, the Association, at its option, may by notice to the Borrower declare the principal of the Credit then outstanding to be due and payable immediately together with the service charges thereon and upon any such declaration such principal, together with such charges, shall become due and payable immediately, anything in this Development Credit Agreement to the contrary notwithstanding.

Section 5.02. For the purposes of Section 7.01 of the General Conditions, the following additional event is specified:

Banco Central shall not have performed one or more of its covenants under the Second Project Subsidiary Loan Agreements and such non-performance shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower and Banco Central.

Article VI

EFFECTIVE DATE; TERMINATION

Section 6.01. The following events are specified as additional conditions to the effectiveness of this Development Credit Agreement within the meaning of Section 10.01 (b) of the General Conditions:

(a) The execution and delivery of this Development Credit Agreement on behalf of Banco Central have been duly authorized or ratified by all necessary corporate and governmental action;

(b) The arrangements with Banco Central provided for in Section 4.03 of this Development Credit Agreement shall have been made; and

(c) At least two Second Project Subsidiary Loan Agreements satisfactory to the Association shall have been duly signed and shall have become effective.

Section 6.02. The following are specified as additional matters, within the meaning of Section 10.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association:

(a) that the undertakings by Banco Central in this Development Credit Agreement contained have been duly authorized or ratified by, and executed and delivered on behalf of, Banco Central and constitute valid and binding obligations of Banco Central in accordance with their terms;

(b) that the arrangements provided for in Section 4.03 of this Development Credit Agreement have been duly and validity executed by the Borrower and Banco Central and shall have become effective in accordance with their terms; and

(c) that the Second Project Subsidiary Loan Agreements referred to in Section 6.01 (c) of this Development Credit Agreement have been duly and validly executed by the parties thereto and shall have become effective in accordance with their terms.

Section 6.03. The date of April 30, 1970 is hereby specified for the purposes of Section 10.04 of the General Conditions.

Section 6.04. The obligations of the Borrower under Sections 4.01, 4.04, 4.05 and 4.06 of this Development Credit Agreement shall terminate on the date on which this Development Credit Agreement shall terminate or on a date twenty years after the date of this Development Credit Agreement, whichever shall be the earlier.

Article VII

MISCELLANEOUS

Section 7.01. The Closing Date shall be December 31, 1973 or such other date as shall be agreed between the Borrower and the Association.

Section 7.02. The *Ministro de Agricultura y Ganadería* of the Borrower is designated as representative of the Borrower for the purposes of Section 9.03 of the General Conditions.

Section 7.03. The following addresses are specified for the purposes of Section 9.01 of the General Conditions:

For the Borrower:

Ministerio de Agricultura y Ganadería
Quito, Ecuador

Cable address:

Minagricultura
Quito

For Banco Central:

Banco Central
Quito, Ecuador

Cable address:

Bancentral
Quito

For the Association:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

Indevas
Washington, D.C.

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

Republic of Ecuador:
By CARLOS MANTILLA ORTEGA
Authorized Representative

International Development Association:
By MOHAMED SHOAB
Vice President

Banco Central del Ecuador:
By CARLOS MANTILLA ORTEGA
Authorized Representative

SCHEDULE 1

DESCRIPTION OF PROJECT

The Project is a continuation of the first stage of a livestock development program of the Borrower and consists of:

- A. The granting of loans to farmers for beef cattle development in the Coastal Area.
- B. The provision of short-term loans for working capital exclusively from local resources.

The Project is scheduled for completion in approximately four years.

SCHEDULE 2

TERMS OF THE SECOND PROJECT SUBSIDIARY LOAN AGREEMENTS

The Second Project Subsidiary Loan Agreements will provide, except as otherwise agreed between the Borrower, the Association and Banco Central:

A. *Interest and Charges:* that the interest on funds loaned by Banco Central to the Participating Banks out of the proceeds of the Credit shall be six per cent (6%) per annum on the outstanding principal amounts of such funds so loaned. In addition, Banco Central, on behalf of the Borrower, shall charge Participating Banks a service charge of one-half of one per cent ($1/2\%$) per annum on such

principal amounts for the purpose of meeting administrative expenses of the Banco Central in connection with the Project. This total six and one-half per cent (6 $\frac{1}{2}$ %) per annum on the outstanding principal amounts due as interest and charges from Participating Banks to the Banco Central shall be payable in semi-annual installments commencing approximately six months after the first disbursements under the Second Project Subsidiary Loan Agreements.

B. *Amortization*: that the principal amounts shall be amortized by payment of equal semi-annual installments commencing approximately at the end of the sixth year after first disbursements under the Second Project Subsidiary Loan Agreements and ending approximately eighteen (18) years after such first disbursements.

C. *Use of Principal and Interest Payments by Banco Central*: that interest and amortization payments received by Banco Central from Participating Banks and not required to service the Credit shall be made available to Participating Banks for relending to farmers for livestock development until the termination of the Second Project Subsidiary Loan Agreements.

INTERNATIONAL DEVELOPMENT ASSOCIATION

GENERAL CONDITIONS, DATED 31 JANUARY 1969

GENERAL CONDITIONS APPLICABLE TO DEVELOPMENT CREDIT AGREEMENTS

[*Not published herein. See United Nations, Treaty Series, vol. 703, p. 244.*]