

No. 11152

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

**Loan Agreement—*Second Livestock Development Project*
(with annexed General Conditions Applicable to Loan and
Guarantee Agreements and Project Agreement between the
Bank and the Caja de Crédito Agrario, Industrial y Minero).
Signed at Washington on 29 December 1969**

Authentic text: English.

*Registered by the International Bank for Reconstruction and Development on 11 June
1971.*

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

**Contrat d'emprunt — *Deuxième Projet relatif au dévelop-
pement de l'élevage* (avec, en annexe, les Conditions
générales applicables aux contrats d'emprunt et de garantie et
le Contrat relatif au Projet entre la Banque et la Caja de
Crédito Agrario, Industrial y Minero). Signé à Washington
le 29 décembre 1969**

Texte authentique: anglais.

*Enregistré par la Banque internationale pour la reconstruction et le développement le
11 juin 1971.*

LOAN AGREEMENT ¹

AGREEMENT, dated December 29, 1969, between REPUBLIC OF COLOMBIA (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS the Bank has assisted the Borrower in financing the first stage of the Borrower's livestock development program;

WHEREAS the Borrower has now requested the Bank to provide financial assistance in carrying out the second stage of the Borrower's livestock development program;

WHEREAS the Caja de Crédito Agrario, Industrial y Minero is willing to assist in the carrying out of such livestock development program; and

WHEREAS the Bank is willing at this time to make a loan to the Borrower, upon 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 Loan Agreement accept all the provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated January 31, 1969, ² with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications thereof (said General Conditions Applicable to Loan and Guarantee Agreements of the Bank, as so modified, being hereinafter called the General Conditions):

(a) The following sub-paragraph is added to Section 2.01 of the General Conditions:

¹ Came into force on 19 March 1971, upon notification by the Bank to the Government of Colombia.

² See p. 388 of this volume.

20. The term Project Agreement has the meaning set forth in the Loan Agreement.

(b) Section 6.06 of the General Conditions is modified by inserting the words “, the Project Agreement” after the words “the Loan Agreement”.

(c) Section 9.03 of the General Conditions is modified by inserting the words “or the Project Agreement” after the words “the Loan Agreement”.

Section 1.02. Wherever used in this Loan 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) “CAJA” means Caja de Crédito Agrario, Industrial y Minero, a bank established and operating under the laws of the Borrower.

(b) “Project Agreement” means the agreement between the Bank and CAJA of even date herewith,¹ as such agreement may be amended from time to time; and such term includes all agreements supplemental to the Project Agreement and all Schedules to the Project Agreement.

(c) “Subsidiary Loan Agreement” means the loan agreement between the Borrower and CAJA for the purpose of relending the proceeds of the Loan, and shall include any amendments thereof made by agreement between the Borrower and CAJA with the approval of the Bank.

(d) “Agricultural Loan” means any loan included in Part A of the Project.

(e) “FFA” means the Fondo Financiero Agrario of the Borrower, an agricultural financing fund established under Resolution No. 23 dated May 11, 1966 of the Junta Monetaria of the Borrower.

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in this Loan Agreement set forth or referred to, an amount in

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¹ See p. 388 of this volume.

various currencies equivalent to eighteen million three hundred thousand dollars (\$18,300,000).

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 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 Loan Agreement 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. The Borrower shall be entitled to withdraw from the Loan Account in respect of the reasonable cost of goods or services required for the Project and to be financed under this Loan Agreement:

- (i) The equivalent of seventy-five per cent (75%) of such amounts as shall have been paid (or, if the Bank shall so agree, shall be required to meet payments to be made) to farmers under Agricultural Loans included in Categories 1 to 3 of the allocation of the proceeds of the Loan referred to in Section 2.02 of this Agreement;
- (ii) The equivalent of sixty per cent (60%) of such amounts as shall have been paid (or, if the Bank shall so agree, shall be required to meet payments to be made) for goods or services included in Category 4 of said allocation of the proceeds of the Loan; and
- (iii) Such amounts as shall have been paid (or, if the Bank shall so agree, shall be required to meet payments to be made) for goods or services included in Category 5 of said allocation of the proceeds of the Loan;

provided, however:

- (a) that such withdrawals on account of Agricultural Loans to beef producers included in Category 2 shall be made only after adequate technical services satisfactory to the Bank shall have been made available by CAJA to the producers of beef cattle included in Part A(2) of the Project;
- (b) that such withdrawals on account of Agricultural Loans to wool

producers included in Category 3 or goods or services included in Category 4 shall be made only after (1) CAJA shall have established within its Livestock Development Department an adequately staffed Sheep and Wool Unit headed by a Technical Supervisor acceptable to, and upon terms and conditions satisfactory to, the Bank, and (2) CAJA shall have validly acquired the use of an area of land, satisfactory to the Bank and suitable for the establishment of the sheep development center referred to under B of the description of the Project, upon terms and conditions acceptable to the Bank; and

- (c) that if there shall be an increase in the estimate of such payments for items included in any of the Categories 1 to 4, the Bank may, by notice to the Borrower, adjust the stated percentage applicable to such Category as required in order that withdrawals of the amount of the Loan then allocated to such Category and not withdrawn may continue *pro rata* with the payments remaining to be made for goods or services included in such Category.

Section 2.04. It is hereby agreed, pursuant to Section 5.01 of the General Conditions, that withdrawals from the Loan Account under Categories 1 to 4 of the allocation of the proceeds of the Loan referred to in Section 2.02 of this Agreement may be made on account of payments in the currency of the Borrower, or for goods produced in, or services supplied from, the territories of the Borrower.

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 withdrawn from time to time.

Section 2.06. The Borrower shall pay interest at the rate of seven per cent (7%) per annum on the principal amount of the Loan withdrawn and outstanding from time to time.

Section 2.07. Interest and other charges shall be payable semi-annually on March 15 and September 15 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 LOAN

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

Section 3.02. Except as the Bank shall otherwise agree, the goods and services required for carrying out the Project shall be procured in accordance with, and subject to the provisions of, the Project Agreement.

Section 3.03. Except as the Bank may otherwise agree, the Borrower shall cause all goods and services 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 VIII of the General Conditions.

Section 4.02. The Minister of Finance and Public Credit of the Borrower and such other person or persons as he shall appoint in writing are designated as authorized representatives of the Borrower for the purposes of Section 8.10 of the General Conditions.

Article V

PARTICULAR COVENANTS

Section 5.01. (a) The Borrower shall cause CAJA to carry out the Project in accordance with, and subject to the provisions of, the Project Agreement and with due diligence and efficiency and in conformity with sound agricultural, administrative, 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 relend the proceeds of the Loan to CAJA. To that effect, the Borrower shall enter into a Subsidiary Loan Agreement, satisfactory to the Bank, with CAJA. The Borrower shall exercise its rights in relation to the Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Bank. Except as the Borrower and the Bank shall otherwise agree, the Borrower shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving any provision of the Subsidiary Loan Agreement.

(c) The Borrower shall open a Special Livestock Account with the FFA through which all payments due under the Subsidiary Loan Agreement shall be made; the Borrower shall cause the Special Livestock Account to be audited annually by independent auditors acceptable to the Bank and shall promptly after their preparation, and not later than two months after the end of each fiscal year, transmit to the Bank certified copies of the audited account and a signed copy of the auditors' report.

Section 5.02. The Borrower shall maintain and implement policies which encourage the expansion of beef, milk and wool production.

Section 5.03. (a) The Borrower shall take measures satisfactory to the Borrower and the Bank to improve the quality and to increase the supply of cattle vaccines produced within the territories of the Borrower and shall improve the overall facilities for cattle disease control.

(b) The Borrower shall cause all cattle of farmers included in the Project to be at all times adequately vaccinated against foot-and-mouth disease.

Section 5.04. (a) The Borrower and the Bank shall co-operate fully to ensure that the purposes of the Loan will be accomplished. To that end, the Borrower and the Bank shall from time to time, at the request of either party, exchange views through their representatives with regard to the performance by the Borrower and the Bank of their respective obligations under the Loan Agreement and to other matters relating to the purposes of the Loan, and 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 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 of the obligations under the Loan Agreement by the Borrower or the departments or agencies of the Borrower responsible for the carrying out of the Project or any part thereof, including CAJA, or the performance by CAJA of its obligations under the Project Agreement.

(c) The Borrower shall afford all reasonable opportunity for accredited representatives of the Bank to visit any part of the territories of the Borrower for purposes related to the Loan.

Section 5.05. 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 foregoing 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 5.06. The Loan Agreement, the Project Agreement and the Bonds shall be free from any taxes on or in connection with the execution, issue, delivery or registration thereof imposed under the laws of the Borrower or laws in effect in its territories, 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.

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 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.

As used in this Section, (a) the term “assets of the Borrower” includes assets of the Borrower or of any of its political subdivisions or of any Agency or of Banco de la Republica or any other institution acting as the central bank of the Borrower, and (b) the term “Agency” means any agency or instrumentality of the Borrower or of any political subdivision of the Borrower and shall include any institution or organization which is owned or controlled directly or indirectly by the Borrower or by any political subdivision of the Borrower or the operations of which are conducted primarily in the interest of or for account of the Borrower or any political subdivision of the Borrower.

Section 5.08. The Borrower shall promptly upon CAJA’s request permit the importation of all inputs, including machinery and equipment, needed for the execution of the Project and not otherwise promptly available from suppliers within the territories of the Borrower.

Article VI

REMEDIES OF THE BANK

Section 6.01. If any event specified in Section 7.01 of the General Conditions or in Section 6.02 of this Agreement shall occur and shall continue for the period, if any, therein set forth, then at any subsequent time during the continuance thereof, the Bank, at its option, may by notice to the Borrower declare the principal of the Loan and of all the Bonds then outstanding to be due and payable immediately together with the interest and other charges thereon and upon any such declaration such principal, interest and charges shall become due and payable immediately, anything to the contrary in this Loan Agreement or in the Bonds notwithstanding.

Section 6.02. For the purposes of Section 7.01 of the General Conditions, the following additional events are specified:

- (a) Any covenant or agreement on the part of CAJA under the Project Agreement or under the Subsidiary Loan Agreement shall not have been performed;
- (b) CAJA shall have been unable to pay its debts as they mature or any action or proceeding shall have been taken by CAJA or by others whereby any of the property of CAJA shall or may be distributed among its creditors; and

- (c) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of CAJA or for the suspension of its operations.

Article VII

EFFECTIVE DATE; TERMINATION

Section 7.01. The following events are specified as additional conditions to the effectiveness of this Loan Agreement within the meaning of Section 11.01 (c) of the General Conditions:

- (a) the execution and delivery of the Project Agreement on behalf of CAJA have been duly authorized or ratified by all necessary corporate and governmental action; and
- (b) the execution and delivery of the Subsidiary Loan Agreement on behalf of the Borrower and CAJA have been duly authorized or ratified by all necessary corporate and governmental action.

Section 7.02. The following are specified as additional matters, within the meaning of Section 11.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank:

- (a) that the Project Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, CAJA and constitutes a valid and binding obligation of CAJA in accordance with its terms; and
- (b) that the Subsidiary Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and CAJA and constitutes valid and binding obligations of the Borrower and CAJA in accordance with its terms.

Section 7.03. The date of March 31, 1970 is hereby specified for the purposes of Section 11.04 of the General Conditions.

Article VIII

MISCELLANEOUS

Section 8.01. The Closing Date shall be July 31, 1975 or such other date as shall be agreed between the Borrower and the Bank.

Section 8.02. (a) The Minister of Agriculture of the Borrower is designated as representative of the Borrower for the purposes of Section 10.03 of the General Conditions.

(b) CAJA is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Sections 2.03 and 2.04 of this Agreement and Article V of the General Conditions.

Section 8.03. The following addresses are specified for the purposes of Section 10.01 of the General Conditions:

For the Borrower:

Ministerio de Agricultura

Bogota

Colombia

Alternative address for cables:

Minagricultura

Bogota, Colombia

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 cables:

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 to be delivered in the District of Columbia, United States of America, as of the day and year first above written.

Republic of Colombia:

By EDUARDO GAITAN DURAN

Authorized Representative

International Bank for Reconstruction and Development:

By J. BURKE KNAPP

Vice President

SCHEDULE 1

ALLOCATION OF PROCEEDS OF LOAN

<i>Category</i>	<i>Amounts Expressed in Dollar Equivalent</i>
1. Agricultural Loans to beef and dairy producers in Parts A(1) and A(3) of the Project (machinery, equipment, materials, construction, pasture improvement and livestock)	14,200,000
2. Agricultural Loans to beef producers in Part A(2) of the Project (machinery, equipment, materials, construction, pasture improvement and livestock)	2,000,000
3. Agricultural Loans to wool producers in Part A(4) of the Project (machinery, equipment, materials, construction, pasture improvement and livestock)	400,000
4. Sheep development center (machinery, equipment, materials, construction, sheep, pasture improvement, fencing wire and steel fencing posts)	200,000
5. Technical services (including transportation, equipment and training)	500,000
6. Unallocated	1,000,000
TOTAL	<u>18,300,000</u>

REALLOCATION UPON CHANGE IN COST ESTIMATES

1. If the estimate of the cost of the items included in any of the Categories 1 to 5 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 6.

2. If the estimate of the cost of the items included in any of the Categories 1 to 5 shall increase, an amount equal to the portion, if any, of such increase to be financed out of the proceeds of the Loan (or in the case of Categories 1 to 3 an amount equal to 75% and in the case of Category 4 an amount equal to 60% of such increase) will be allocated by the Bank, at the request of the Borrower, to such Category from Category 6, 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>
September 15, 1975	470,000	March 15, 1982	735,000
March 15, 1976	485,000	September 15, 1982	760,000
September 15, 1976	505,000	March 15, 1983	785,000
March 15, 1977	520,000	September 15, 1983	815,000
September 15, 1977	540,000	March 15, 1984	845,000
March 15, 1978	560,000	September 15, 1984	875,000
September 15, 1978	580,000	March 15, 1985	905,000
March 15, 1979	600,000	September 15, 1985	935,000
September 15, 1979	620,000	March 15, 1986	970,000
March 15, 1980	640,000	September 15, 1986	1,000,000
September 15, 1980	665,000	March 15, 1987	1,035,000
March 15, 1981	685,000	September 15, 1987	1,060,000
September 15, 1981	710,000		

* To the extent that any portion of the Loan is repayable in a currency other than dollars (see General Conditions, Section 4.02), 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 portion of the principal amount of the Loan pursuant to Section 3.05 (b) of the General Conditions or on the redemption of any Bond prior to its maturity pursuant to Section 8.15 of the General Conditions:

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than three years before maturity	1%
More than three years but not more than six years before maturity	2%
More than six years but not more than eleven years before maturity	3½%
More than eleven years but not more than fourteen years before maturity	5%
More than fourteen years but not more than sixteen years before maturity	6%
More than sixteen years before maturity	7%

SCHEDULE 3

DESCRIPTION OF THE PROJECT

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

Part A. The granting of loans for farm development to:

- (1) about 500 producers of beef cattle in the Departments of Atlantico, Bolivar, Cesar, Cordoba, Magdalena and Sucre, and about 100 producers of beef cattle on the eastern plains in the Departments of Meta and Boyaca,
- (2) about 100 producers of beef cattle in an area about 25 km wide on each bank of the Magdalena River between Puerto Wilches and Neiva,
- (3) about 200 specialized dairy farmers in the Department of Narino, in the Cauca Valley contained in the Departments of Cauca and Valle, in the Ubate Valley, and in the Ceja Valley in the Department of Antioquia, and about 50 farmers supplying consumers in Barranquilla and Cartagena with dairy products, and
- (4) about 20 wool producers in suitable areas of the highlands of Colombia;

Part B. The establishment of a sheep development center covering about 1,500 ha for the purposes of sheep breeding, including the importation of about 2,000 pure bred Romney or Corriedale sheep, the training of technicians and farm workers, and demonstrations; and

Part C. The provision of related technical services to assist in the preparation and implementation of farm development plans and in the training of local technicians, including transport and equipment.

The Project is expected to be completed by December 31, 1974.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
GENERAL CONDITIONS, DATED 31 JANUARY 1969
GENERAL CONDITIONS APPLICABLE TO LOAN AND GUARANTEE AGREEMENTS

[*Not published herein. See United Nations, Treaty Series, vol. 691, p. 300.*]

PROJECT AGREEMENT

AGREEMENT, dated December 29, 1969 between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and CAJA DE CRÉDITO AGRARIO, INDUSTRIAL Y MINERO (hereinafter called CAJA).

WHEREAS by a loan agreement of even date herewith ¹ (hereinafter called the Loan Agreement) between the Republic of Colombia (hereinafter called the Borrower)

¹ See p. 364 of this volume.

and the Bank, the Bank has agreed to make available to the Borrower a loan in various currencies equivalent to eighteen million three hundred thousand dollars (\$18,300,000), on the terms and conditions set forth in the Loan Agreement, to be relented to CAJA, but only on condition, *inter alia*, that CAJA agree to undertake certain obligations toward the Bank as hereinafter provided; and

WHEREAS CAJA, 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:

Article I

DEFINITIONS

Section 1.01. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the Loan Agreement and in the General Conditions¹ (as so defined) have the respective meanings therein set forth and the term "Sheep and Wool Unit" means the unit of that name established pursuant to paragraph (b) of Section 2.01 of this Agreement.

Article II

PARTICULAR COVENANTS

Section 2.01. (a) CAJA shall, through the Livestock Development Department in its Agricultural Development Department, carry out the Project described in Schedule 3 to the Loan Agreement with due diligence and efficiency and in conformity with sound agricultural, administrative, economic and financial practices.

(b) CAJA shall establish and maintain within its Livestock Development Department an adequately staffed Sheep and Wool Unit for the purpose of carrying out Parts A(4) and B of the Project.

(c) Until the Closing Date, CAJA shall employ in its Livestock Development Department a Technical Director and two Regional Chief Technicians as well as a Technical Supervisor of the Sheep and Wool Unit, acceptable to, and upon terms and conditions satisfactory to, the Bank and with duties and responsibilities in accordance

¹ See p. 388 of this volume.

with the principles set forth in Schedule 1 to this Agreement as such principles shall be modified from time to time by further agreement between the Bank and CAJA.

Section 2.02. CAJA shall enter into a Subsidiary Loan Agreement, satisfactory to the Bank, with the Borrower, providing for the relending by the Borrower to CAJA of the proceeds of the Loan. CAJA shall exercise its rights under the Subsidiary Loan Agreement in such manner as to protect the interests of the Bank and CAJA.

Section 2.03. Except as the Bank shall otherwise agree, (i) fertilizers, pasture seeds, chemicals for weed control, fencing wire and steel fencing posts required for the carrying out of the Project 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 are set forth in Schedule 2 to this Agreement or as shall be agreed between the Borrower and the Bank, and (ii) contracts for the procurement of such goods and services shall be subject to the prior approval of the Bank.

Section 2.04. CAJA shall prepare and maintain in respect of each creditworthy farmer included in Part A of the Project an up-to-date farm development plan containing a detailed description of the productivity of the farm concerned and the estimated requirements for development of such farm.

Section 2.05. (a) CAJA shall make Agricultural Loans to the applicant farmers included in Part A of the Project.

(b) Except as the Bank shall otherwise agree, Agricultural Loans shall be made in accordance with the requirements set forth in the farm development plan for the farmer applying for such loan, and upon, *inter alia*, the following terms and conditions:

- (i) the amount of an Agricultural Loan shall be equivalent to eighty per cent (80%) of the aggregate cost of all goods or services to be financed out of the proceeds of such loan;
- (ii) Agricultural Loans shall bear interest at the rate of fourteen per cent (14%) per annum on their principal amount withdrawn and outstanding from time to time;
- (iii) Agricultural Loans shall be repaid within a period of twelve years after their date which period shall include a grace period of four years in respect of Agricultural Loans to producers of beef and dairy farmers and a grace period of six years in respect of Agricultural Loans to wool producers;
- (iv) no Agricultural Loan or Agricultural Loans to one farmer which in the aggregate would exceed the equivalent of one hundred thousand dollars (\$100,000) shall be made before approval has been obtained from the Bank;

- (v) the aggregate of all amounts to be made available to a farmer pursuant to this Section during a certain period for the purchase of breeding cattle shall be closely related to the productivity of the farm concerned, as described in the applicable farm development plan, and shall at no time exceed fifty per cent (50%) of the estimated aggregate cost of the requirements for the development of that farm during such period as detailed in the applicable farm development plan;
- (vi) all cattle of the borrower under the Agricultural Loan is and shall at all times be adequately vaccinated against foot-and-mouth disease; and
- (vii) no disbursement under an Agricultural Loan on account of the purchase of cattle shall be made prior to the approval of the quality and suitability of such cattle by the Technical Director of CAJA's Livestock Development Department or his designee.

Section 2.06. CAJA shall use the net proceeds of payments which it receives on account of Agricultural Loans and on account of the sale of goods or services under Agricultural Loans to make loans to producers of beef, dairy products or wool. For the purposes of this Section, the term "net proceeds" means all proceeds after adequate provision, for the service of the loan made to CAJA under the Subsidiary Loan Agreement, for the price paid by CAJA for goods or services sold, for losses on Agricultural Loans and for operating and administrative expenses incurred to obtain such proceeds.

Section 2.07. (a) In addition to Agricultural Loans, CAJA shall make available loans for the purchase of feeder steers for fattening to the producers of beef included in Parts A(1) and A(2) of the Project.

(b) Except as the Bank shall otherwise agree, loans pursuant to the preceding paragraph shall be made in accordance with the requirements set forth in the farm development plan for the producer applying for such loan, and upon, *inter alia*, the following terms and conditions:

- (i) the amount of such loans shall be equivalent to eighty per cent (80%) of the aggregate cost of all feeder steers to be financed out of the proceeds of such loans; and;
- (ii) such loans shall bear interest at the rate of twelve per cent (12%) per annum on their principal amount withdrawn and outstanding from time to time.

Section 2.08. CAJA shall validly acquire the use of an area of land, satisfactory to the Bank and suitable for the establishment of the sheep development center referred to under B of the description of the Project in Schedule 3 to the Loan Agreement, upon terms and conditions acceptable to the Bank.

Section 2.09. (a) Upon request from time to time by the Bank, CAJA shall cause to be furnished to the Bank, promptly upon their preparation, the plans, specifications, procurement and work schedules for the Project and any material modifications subsequently made therein, in such detail as the Bank shall reasonably request.

(b) CAJA shall maintain or cause to be maintained records adequate to identify the goods and services 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 CAJA; shall enable the Bank's representatives to inspect the Project and, in relation thereto, the goods, the property and equipment owned or operated by CAJA, 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 services to be financed out of the proceeds of the Loan, and the administration, operations and financial condition of CAJA.

Section 2.10. (a) The Bank and CAJA 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.

(b) The Bank and CAJA shall from time to time, at the request of either party, exchange views through their representatives with regard to matters relating to the purposes of the Loan and the performance by CAJA of its obligations under this Agreement, and with regard to the administration, operations and financial condition of CAJA.

(c) CAJA 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, or the performance by CAJA of its obligations under this Agreement.

Section 2.11. Except as the Bank shall otherwise agree, CAJA shall cause all goods financed out of the proceeds of the Loan to be used exclusively in carrying out the Project.

Section 2.12. Except as the Bank shall otherwise agree, CAJA shall have the accounts relating to the Project audited annually by independent auditors acceptable to the Bank and shall promptly after their preparation, and not later than two months after the end of each fiscal year, transmit to the Bank certified copies of such audited accounts and a signed copy of the auditors' report.

Section 2.13. (a) CAJA shall at all times maintain its existence and right to carry on its operations and shall take all steps necessary to acquire, maintain and

renew all rights, powers and privileges which are necessary or useful in the conducts of its business.

(b) CAJA shall carry on its operations and conduct its affairs in accordance with sound business, agricultural, economic and financial practices, under the supervision of experienced and competent management.

Section 2.14. CAJA undertakes to insure the imported goods required for the carrying out of the Project 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 CAJA to replace or repair such goods.

Section 2.15. CAJA shall promptly with the recommendation of the Technical Director of its Livestock Development Department import all inputs, including machinery and equipment, needed for the execution of the Project and not otherwise promptly available from suppliers within the territories of the Borrower.

Section 2.16. CAJA shall provide effective technical services (particularly for the purpose of preparing farm development plans and for the supervision of their execution) satisfactory to the Bank for the carrying out of Part A and Part B of the Project and for the purpose of training local technicians, provided, however, that such services shall be made available to producers of beef cattle included in Part A(2) of the Project, only insofar as this would not adversely affect the effectiveness of such services made or to be made available for the purpose of carrying out Parts A(1), A(3) and A(4) and Part B of the Project and for the purpose of training local technicians.

Article III

EFFECTIVE DATE; TERMINATION

Section 3.01. (a) This Project Agreement shall come into force and effect on the Effective Date.

(b) If the Loan Agreement terminates pursuant to Section 11.04 of the General Conditions, the Bank shall promptly notify CAJA of this event and, upon the giving of such notice, this Project Agreement and all obligations of the parties hereunder shall forthwith terminate.

Section 3.02. This Project Agreement and all obligations of the parties hereunder shall terminate on the date on which the Loan Agreement shall terminate in accordance with its terms.

Sections 3.03. The obligations of CAJA under Section 2.04, and under paragraph (a) of Sections 2.05 and 2.07 of this Agreement shall terminate on the Closing Date or on the date on which the Project Agreement shall terminate, whichever shall be the earlier.

Article IV

MISCELLANEOUS PROVISIONS

Section 4.01. Any notice or request required or permitted to be given or made under this Project Agreement and any agreement between the parties contemplated by this Project 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, cable, telex, or radiogram to the party to which it is required or permitted to be given or made at such party's 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

Cable address:

Intbafrad
Washington, D. C.

For CAJA:

Caja de Crédito Agrario, Industrial y Minero
Carrera 8 No. 15-43
Bogota
Colombia

Cable address:

Creditario
Bogota

Section 4.02. Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Project Agreement on behalf of CAJA, may be taken or executed by the General Manager of CAJA or such other person or persons as CAJA shall designate in writing.

Section 4.03. CAJA shall furnish to the Bank sufficient evidence of the authority of the person or persons who will, on behalf of CAJA, take any action or execute any documents required or permitted to be taken or executed by CAJA pursuant to any of

the provisions of this Project Agreement, and the authenticated specimen signature of each such person.

Section 4.04. No delay in exercising, or omission to exercise, any right, power or remedy accruing to either party under this Project 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 such default, affect or impair any right, power or remedy of such party in respect of any other or subsequent default.

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

Caja de Crédito Agrario, Industrial y Minero:

By EDUARDO GAITAN DURAN

Authorized Representative

SCHEDULE 1

ORGANIZATION AND MANAGEMENT

1. The Livestock Development Department in the Agricultural Development Department of CAJA shall be responsible for the carrying out of the Project. The Livestock Development Department shall be headed by a Technical Director and by an Administrative Director.

2. The duties, responsibilities and authorities of the *Technical Director* shall include:

- (a) the technical execution of the Project;
- (b) to assist in the training of the technicians employed in the Livestock Development Department and to outline their duties and responsibilities; and
- (c) to assist farmers included in Part A of the Project in the preparation of farm development plans in accordance with Section 2.04 of this Project Agreement, to

approve such plans and to recommend the plans to the Project Loan Committee as the basis for extending loans, and to supervise the execution of the plans.

No Agricultural Loans or loans pursuant to Section 2.07 of this Project Agreement shall be made without the prior recommendation of the Technical Director or his designee.

CAJA shall employ in its Livestock Development Department only such agricultural specialists as are acceptable to, with such duties and responsibilities as are satisfactory to, CAJA's General Management and the Technical Director.

The Technical Director shall be assisted by two Regional Chief Technicians and the Technical Supervisor of the Sheep and Wool Unit.

3. The Technical Director shall not supervise the banking services incident to the preparation and execution of loans, the assessment of the creditworthiness of applicant farmers, and the collection and recording of payments, which functions shall be performed by the Administrative Director of the Livestock Development Department.

4. CAJA's Project Loan Committee shall have the authority to ratify said farm development plans and to decide on all Agricultural Loans and loans pursuant to Section 2.07 of this Project Agreement upon the prior recommendation of the Technical Director. The Project Loan Committee shall disapprove a loan application only for reasons based on the creditworthiness of the applicant.

SCHEDULE 2

PROCUREMENT

CAJA shall procure fertilizers, pasture seeds, chemicals for weed control, fencing wire and steel fencing posts required for carrying out the Project on the basis of international competitive bidding in accordance with Section 2.03 of this Project Agreement and the following supplementary procedures.

Prior to inviting bids, copies of the tender documents shall be sent to the Bank for comment.

Before awards are made, the bid-analyses and recommendations for awards shall be sent to the Bank; no award shall be made before approval by the Bank. The timing shall be not less than 20 days between calling of bids and bid-opening and not less than 45 days between the award of contracts and delivery.

In comparing bids by Colombian suppliers with bids by foreign suppliers, the following rules shall be observed:

(a) Bid prices offered in respect of goods produced outside the territories of the Borrower shall consist exclusively of the following components:

- (i) the c.i.f. landed price of such goods,
- (ii) the total amount of all customs duties and similar levies in respect of such goods but only insofar as the total of such duties and levies does not exceed the equivalent of 15% of the c.i.f. landed price of such goods,
- (iii) the cost of transportation of such goods from the point of entry into the territories of the Borrower to the depot or storage room nearest to the place where such goods are to be used, and
- (iv) the handling and dealer's commission in respect of such goods; and

(b) Bid prices offered in respect of goods produced or assembled within the territories of the Borrower shall consist exclusively of the following components:

- (i) the ex-factory price of such goods,
- (ii) the cost of transportation of such goods from the factory to the depot or storage room nearest to the place where such goods are to be used, and
- (iii) the handling and dealer's commission in respect of such goods.

Promptly after the execution of any contract and prior to the submission to the Bank of the first application for withdrawal of funds from the Loan Account in respect of such contract, a copy of such contract shall be sent to the Bank.
