

No. 12070

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

**Guarantee Agreement—*Palmira Water Supply and Sewerage Project* (with General Conditions Applicable to Loan and Guarantee Agreements). Signed at Washington on 28 May 1971**

*Authentic text: English.*

*Registered by the International Bank for Reconstruction and Development on 17 October 1972.*

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

**Contrat de garantie — *Projet relatif à l'adduction d'eau et à la construction d'égouts à Palmira* (avec Conditions générales applicables aux contrats d'emprunt et de garantie). Signé à Washington le 28 mai 1971**

*Texte authentique: anglais.*

*Enregistré par la Banque internationale pour la reconstruction et le développement le 17 octobre 1972.*

## GUARANTEE AGREEMENT<sup>1</sup>

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AGREEMENT, dated May 28, 1971, between REPUBLIC OF COLOMBIA (hereinafter called the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS by an agreement of even date herewith<sup>2</sup> between the Bank and Empresas Públicas Municipales de Palmira (hereinafter called the Borrower), which agreement and the schedules therein referred to are hereinafter called the Loan Agreement, the Bank has agreed to make to the Borrower a loan in various currencies equivalent to two million dollars (\$2,000,000), 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 and to provide the Borrower with additional funds required to carry out the Project, 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 and so to provide the Borrower with additional funds;

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 the General Conditions Applicable to Loan and Guarantee Agreements of the Bank dated January 31, 1969,<sup>3</sup> with the same force and effect as if they were fully set forth herein (said General Conditions Applicable to Loan and Guarantee Agreements being hereinafter called the General Conditions).

*Section 1.02.* Wherever used in this Guarantee Agreement, unless the context otherwise requires, the several terms defined in the General Conditions and in Section 1.02 of the Loan Agreement have the respective meanings therein set forth.

### *Article II*

*Section 2.01.* Without limitation or restriction upon any of its other obligations under this Guarantee Agreement, the Guarantor hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of the principal of, and interest and other charges on, the Loan and the Bonds, the premium, if any, on the prepayment of the Loan or the redemption of the Bonds prior to their maturity and the punctual performance

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<sup>1</sup> Came into force on 29 December 1971, upon notification by the Bank to the Government of Colombia.

<sup>2</sup> The said Agreement entered into force on 29 December 1971. As it does not constitute an international agreement or a part of the present Agreement, it is not reproduced herein. However, it was published by the Bank as document LN 738 CO, a certified true copy of which was transmitted to the Secretariat together with the documentation submitted for registration of the present Guarantee Agreement.

<sup>3</sup> See p. 27 of this volume.

of all the obligations of the Borrower, all as set forth in the Loan Agreement and in the Bonds.

*Section 2.02.* Without limitation or restriction upon the provisions of Section 2.01 of this Agreement, the Guarantor specifically undertakes to make arrangements, satisfactory to the Bank, promptly to provide the Borrower or cause the Borrower to be provided with (i) an amount equivalent to twenty-eight million *pesos* (Col. \$28,000,000) bearing interest at the rate of ten per cent (10%) per annum and repayable over a period of eighteen years after a grace period of four years; and (ii) whenever there is reasonable cause to believe that the funds available to the Borrower, including the before-mentioned amount, will be inadequate to meet the estimated expenditures required for the carrying out of the Project, such funds as are needed to meet such expenditures.

### 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 governmental assets 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 "governmental assets" includes assets of the Guarantor or of any of its political subdivisions or of any Agency or of Banco de la República or any other institution acting as the central bank of the Guarantor, and (b) the term "Agency" means any agency or instrumentality of the Guarantor or of any political subdivision of the Guarantor and shall include any institution or organization which is owned or controlled directly or indirectly by the Guarantor or by any political subdivision of the Guarantor or the operations of which are conducted primarily in the interest of or for account of the Guarantor or any political subdivision of the Guarantor.

*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, provided, however, that the provisions of this Section shall not apply to taxation of payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Guarantor.

*Section 3.04.* This Guarantee Agreement, the Loan Agreement and the Bonds shall be free from any taxes that shall be imposed under the laws of the Guarantor on or in connection with the execution, issue, delivery or registration thereof.

*Section 3.05.* The Guarantor shall, promptly as required, take all steps necessary on its part to enable the Borrower to set and maintain its tariffs at the levels specified in Section 5.13 of the Loan Agreement.

#### *Article IV*

*Section 4.01.* The Guarantor shall endorse, in accordance with the provisions of the General Conditions, its guarantee on the Bonds to be executed and delivered by the Borrower. The Minister of Finance and Public Credit of the Guarantor, and such other person or persons as he shall appoint in writing are designated as authorized representatives of the Guarantor for the purposes of Section 8.10 of the General Conditions.

#### *Article V*

*Section 5.01.* The Minister of Finance and Public Credit of the Guarantor is designated as representative of the Guarantor for the purposes of Section 10.03 of the General Conditions.

*Section 5.02.* The following addresses are specified for the purposes of Section 10.01 of the General Conditions :

For the Guarantor :

Republic of Colombia  
Ministerio de Hacienda y Crédito Público  
Palacio de los Ministerios, Plaza San Agustín  
Bogotá, Colombia

Cable address :  
Minhacienda  
Bogotá

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.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Guarantee Agreement to be signed in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

Republic of Colombia :

By ALFONSO PATIÑO ROSSELLI  
Authorized Representative

International Bank for Reconstruction and Development :

By ROBERT S. MCNAMARA  
President

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.]

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