

No. 6408

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

Guarantee Agreement—*Second Industrial Equipment Project* (with annexed Loan Regulations No. 4 and Loan Agreement between the Bank and Banco Central de Costa Rica). Signed at Washington, on 6 September 1961

Official text: English.

Registered by the International Bank for Reconstruction and Development on 4 December 1962.

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

Contrat de garantie — *Deuxième projet relatif à l'équipement industriel* (avec, en annexe, le Règlement n° 4 sur les emprunts et le Contrat d'emprunt entre la Banque et le Banco Central de Costa Rica). Signé à Washington, le 6 septembre 1961

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 4 décembre 1962.

No. 6408. GUARANTEE AGREEMENT¹ (*SECOND INDUSTRIAL PROJECT*) BETWEEN THE REPUBLIC OF COSTA RICA AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 6 SEPTEMBER 1961

AGREEMENT, dated September 6, 1961, between REPUBLICA DE COSTA RICA (hereinafter called the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS by an agreement of even date herewith between the Bank and Banco Central de Costa Rica (hereinafter called the Borrower), which agreement and the schedules therein referred to are hereinafter called the Loan Agreement,² the Bank has agreed to make to the Borrower a loan in various currencies equivalent to three million dollars (\$3,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agree to guarantee the obligations of the Borrower in respect of such loan as hereinafter provided ; and

WHEREAS the Guarantor, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed so to guarantee such obligations of the Borrower ;

NOW THEREFORE the parties hereto hereby agree as follows :

Article I

Section 1.01. The parties to this Guarantee Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated February 15, 1961,² subject, however, to the modifications thereof set forth in Schedule 2³ to the Loan Agreement (said Loan Regulations No. 4 as so modified being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

Section 1.02. Wherever used in this Guarantee Agreement, unless the context shall otherwise require, the several terms defined in the Loan Agreement shall have the respective meanings therein set forth.

¹ Came into force on 27 December 1961, upon notification by the Bank to the Government of Costa Rica.

² See p. 352 of this volume.

³ See p. 368 of this volume.

Article II

Section 2.01. Without limitation or restriction upon any of the other covenants on its part in this Agreement contained, the Guarantor hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of the principal of, and the interest and other charges on, the Loan, the principal of and interest on the Bonds, the premiums, if any, on the prepayment of the Loan or the redemption of the Bonds, and the punctual performance of all the covenants and agreements of the Borrower, all as set forth in the Loan Agreement and in the Bonds.

Article III

Section 3.01. It is the mutual intention of the Guarantor and the Bank that no other external debt shall enjoy any priority over the Loan by way of a lien on governmental assets. To that end, the Guarantor undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Guarantor as security for any external debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect; provided, however, that the foregoing provisions of this Section shall not apply to: (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property or (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

The term "assets of the Guarantor" as used in this Section includes assets of the Guarantor or of any of its political subdivisions or of any agency of the Guarantor or of any such political subdivision, including the Banco Central de Costa Rica or any other institution performing the functions of a central bank.

Section 3.02. (a) The Guarantor and the Bank shall co-operate 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 imposed under the laws of the Guarantor or laws in effect in its territories ; provided, however, that the provisions of this Section shall not apply to 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 or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof.

Section 3.05. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid free from all restrictions imposed under the laws of the Guarantor or laws in effect in its territories.

Article IV

Section 4.01. The Guarantor shall endorse, in accordance with the provisions of the Loan Regulations, its guarantee on the Bonds to be executed and delivered by the Borrower. The *Ministro de Economia y Hacienda* of the Guarantor and such person or persons as he shall designate in writing are designated as the authorized representatives of the Guarantor for the purposes of Section 6.12 (b) of the Loan Regulations.

Article V

Section 5.01. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Guarantor :

Ministro de Economia y Hacienda
San Jose
Costa Rica

Alternative address for cablegrams and radiograms :

Mineconomia
San Jose

For the Bank :

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington 25, D. C.
United States of America

Alternative address for cablegrams and radiograms :

Intbafrad
Washington, D. C.

Section 5.02. The *Ministro de Economía y Hacienda* of the Guarantor is designated for the purposes of Section 8.03 of the Loan Regulations.

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

Republica de Costa Rica :

By M. G. ESCALANTE D.
Authorized Representative

International Bank for Reconstruction and Development :

By W. A. B. ILIFF
Vice President

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 4, DATED 15 FEBRUARY 1961

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

[*Not published herein. See United Nations, Treaty Series, Vol. 400, p. 212.*]

LOAN AGREEMENT

(SECOND INDUSTRIAL EQUIPMENT PROJECT)

AGREEMENT, dated September 6, 1961, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and BANCO CENTRAL DE COSTA RICA (hereinafter called the Borrower).

WHEREAS by a Loan Agreement (Capital Goods Importation Credit Program) dated September 18, 1956¹ between the Bank and the Borrower (hereinafter called the First Loan Agreement) the Bank agreed to lend to the Borrower an amount in various currencies equivalent to three million dollars (\$3,000,000) to assist in the financing of a program for the encouragement of imports of capital goods needed by private enterprise to develop agricultural production and light industries in the territories of the Guarantor by extension of credit through the national banking system ;

WHEREAS by a Loan Agreement (Second Import Credit Program) dated February 11, 1959² between the Bank and the Borrower (hereinafter called the Second Loan Agreement) the Bank agreed to lend to the Borrower an amount in various currencies equivalent to three million five hundred thousand dollars (\$3,500,000) to assist in the continuation of such program ;

WHEREAS by a Loan Agreement (Industrial Equipment Project) dated May 4, 1960³ between the Bank and the Borrower (hereinafter called the Third Loan Agreement) the Bank agreed to lend to the Borrower an amount in various currencies equivalent to two million dollars (\$2,000,000) to assist in the continuation of that part of such program pertaining to the encouragement of imports of capital goods needed by private enterprise to develop industries in the territories of the Guarantor ; and

WHEREAS the Borrower has requested the Bank to assist in the continuation of such part of said program ;

NOW THEREFORE the parties hereto hereby agree as follows :

Article I

LOAN REGULATIONS ; SPECIAL DEFINITIONS

Section 1.01. The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated February 15, 1961,⁴ subject, however, to the modifications thereof set forth in Schedule 2⁵ to this Loan Agreement (said Loan Regulations No. 4 as so modified being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

Section 1.02. Wherever used in this Loan Agreement, unless the context shall otherwise require, the following terms shall have the following meanings :

(a) The term "Commercial Bank" shall mean each of the commercial banks in the territories of the Guarantor in whose favor the Borrower shall have established lines of credit for the use of the proceeds of the Loan, pursuant to Section 3.01 of this Loan Agreement.

¹ United Nations, *Treaty Series*, Vol. 260, p. 369.

² United Nations, *Treaty Series*, Vol. 337, p. 245.

³ United Nations, *Treaty Series*, Vol. 390, p. 201.

⁴ See p. 352 of this volume.

⁵ See p. 368 of this volume.

(b) The term "Investment Enterprise" shall mean a private enterprise to which a Commercial Bank shall have granted a credit as provided in Section 3.01 of this Loan Agreement.

(c) The term "Investment Proposal" shall mean a specific industrial proposal to be carried out by an Investment Enterprise as it shall be approved in writing by the Bank.

Words importing the singular number include the plural number and *vice versa*.

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 various currencies equivalent to three million dollars (\$3,000,000).

Section 2.02. The Bank shall open a Loan Account on its books in the name of the Borrower and shall credit to such Account the amount of the Loan. Subject to the provisions of Section 3.02 of this Loan Agreement, 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, the Loan Regulations.

Section 2.03. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ($\frac{3}{4}$ of 1%) per annum on the principal amount of the Loan not so withdrawn from time to time. Such commitment charge shall accrue from a date sixty days after the date of this Loan Agreement to the respective dates on which amounts shall be withdrawn by the Borrower from the Loan Account as provided in Article IV of the Loan Regulations or shall be cancelled pursuant to Article V of the Loan Regulations.

Section 2.04. The Borrower shall pay interest at the rate of five and three-fourths per cent ($5\frac{3}{4}$ %) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

Section 2.05. Except as the Bank and the Borrower shall otherwise agree, the charge payable for special commitments entered into by the Bank at the request of the Borrower pursuant to Section 4.02 of the Loan Regulations shall be at the rate of one-half of one per cent ($\frac{1}{2}$ of 1%) per annum on the principal amount of any such special commitments outstanding from time to time.

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

Section 2.07. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 1¹ to this Loan Agreement.

Article III

DESCRIPTION OF PROJECT ; USE OF PROCEEDS OF THE LOAN

Section 3.01. The Loan is designed to assist in the financing of the Borrower's program for the importation of industrial equipment and other goods needed by private

¹ See p. 366 of this volume.

enterprise to develop industries in the territories of the Guarantor. Accordingly, the Bank shall make available to the Borrower monies, in currencies other than the currency of the Guarantor, to assist in the financing of the importation of such goods. The Borrower will in turn establish lines of credit in favor of the Commercial Banks in aggregate amounts equivalent to the amount of the Loan, which will be repayable, except if the Bank shall otherwise agree, on or before October 1, 1973, to finance the purchase and importation, by private enterprise of industrial equipment and other goods required for Investment Proposals. The Commercial Banks will in turn for the same purposes grant, out of such lines of credit, credits of not less than five thousand dollars (\$5,000) each to private enterprises engaged or proposing to engage in industrial activities in the territories of the Guarantor.

Section 3.02. (a) The proceeds of the Loan shall be applied exclusively to the cost, in currencies other than the currency of the Guarantor, of imported goods required for the carrying out of Investment Proposals.

(b) Notwithstanding the provisions of Section 4.03 of the Loan Regulations and except as the Bank and the Borrower shall otherwise agree, no withdrawals shall be made on account of expenditures made for any Investment Proposal unless and until the Bank shall have notified the Borrower in writing of the approval, by the Bank, of such Investment Proposal.

(c) Notwithstanding the provisions of Section 4.01 of the Loan Regulations and except as the Bank and the Borrower shall otherwise agree, no withdrawals shall be made on account of expenditures made for an Investment Proposal more than sixty days prior to the submission of such Investment Proposal to the Bank for approval.

Section 3.03. (a) Whenever the Borrower shall desire to submit an Investment Proposal to the Bank for approval, the Borrower shall submit to the Bank an application, in form satisfactory to the Bank, containing a description of such Investment Proposal and such other information as the Bank shall reasonably request.

(b) Except as the Bank and the Borrower shall otherwise agree, requests for approval of Investment Proposals shall be submitted to the Bank on or before September 30, 1963.

Article IV

BONDS

Section 4.01. The Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in the Loan Regulations.

Section 4.02. The *Gerente* of the Borrower and such person or persons as he shall appoint in writing are designated as authorized representatives of the Borrower for the purposes of Section 6.12 (a) of the Loan Regulations.

Article V

PARTICULAR COVENANTS

Section 5.01. The Borrower shall cause the Project to be carried out with due diligence and efficiency and in conformity with sound financial and investment standards and practices.

Section 5.02. (a) The Borrower shall exercise and shall cause each Commercial Bank to exercise its rights in relation to Investment Proposals in such manner as to protect the interests of the Bank and the Borrower.

(b) The Borrower undertakes that it will cause any credit granted to an Investment Enterprise for an Investment Proposal, to be granted on terms whereby the Borrower and the Commercial Bank shall obtain, by the written agreement of such Investment Enterprise or other appropriate legal means, rights adequate to protect the interests of the Bank and the Borrower, including the right to require such Investment Enterprise to carry out and operate the Investment Proposal with due diligence and efficiency and in accordance with sound engineering and financial standards, including the maintenance of adequate records; the right to require that the goods to be financed with the proceeds of the Loan shall be used exclusively in the carrying out of such Investment Proposal; the right of the Bank and the Borrower to inspect such goods and the sites, works and construction included in such Investment Proposal, the operation thereof and any relevant records and documents; the right to require that such Investment Enterprise shall take out and maintain such insurance, against such risks and in such amounts, as shall be consistent with sound business practice, and that, except as the Bank shall otherwise agree, insurance covering marine and transit hazards on the goods financed out of the proceeds of the Loan shall be payable in dollars or in the currency in which the cost of the goods insured thereunder shall be payable; and the right to obtain all such information as the Bank and the Borrower shall reasonably request relating to the foregoing and to the operations and financial conditions of such Investment Enterprise. Such rights shall include appropriate provision whereby further access by such Investment Enterprise to use of the proceeds of the Loan may be suspended or terminated by the Borrower upon failure by such Investment Enterprise to carry out the terms of such credit.

Section 5.03. (a) The Borrower shall furnish, and shall cause each Commercial Bank to furnish with respect to those matters with which it is involved, to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the Project, the Investment Enterprises, the Investment Proposals and the financial condition and operations of the Borrower.

(b) The Borrower shall maintain, and shall cause each Commercial Bank to maintain or cause to be maintained with respect to those matters with which it is involved, records adequate to record the progress of the Project and of each Investment Proposal (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the financial condition and operations of the Borrower and of each Investment Enterprise. The Borrower shall enable the Bank's representatives to examine such records.

Section 5.04. (a) The Bank and the Borrower shall co-operate fully to assure that the purposes of the Loan will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan.

(b) The Bank and the Borrower shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan and the maintenance of the service thereof. The Borrower shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

Section 5.05. The Borrower undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Borrower as security for any debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect; provided, however, that the foregoing provisions of this section shall not apply to: (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; or (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

Section 5.06. The Borrower shall pay or cause to be paid all taxes, if any, imposed under the laws of the Guarantor or laws in effect in the territories of the Guarantor on or in connection with the execution, issue, delivery or registration of this Loan Agreement, the Guarantee Agreement¹ or the Bonds, or the payment of principal, interest or other charges thereunder; provided, however, that the provisions of this Section shall not apply to 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 5.07. The Borrower shall pay or cause to be paid all taxes, if any, imposed under the laws of the country or countries in whose currency the Loan and the Bonds are payable or laws in effect in the territories of such country or countries on or in connection with the execution, issue, delivery or registration of this Loan Agreement, the Guarantee Agreement or the Bonds.

Section 5.08. The Borrower shall at all times take all steps necessary to maintain its existence and right to carry on operations and shall, except as the Bank shall otherwise agree, take all steps necessary to maintain and renew all rights, powers, privileges and franchises which are necessary or useful in the conduct of its business.

¹ See p. 346 of this volume.

Article VI

REMEDIES OF THE BANK

Section 6.01. (i) If any event specified in paragraph (a), paragraph (b), paragraph (e), paragraph (f) or pursuant to paragraph (j) 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 Loan Agreement or in the Bonds to the contrary notwithstanding.

Section 6.02. For the purposes of Section 5.02 (j) of the Loan Regulations the following additional events are specified, namely, any event specified or referred to in Section 6.01 of either the First Loan Agreement, the Second Loan Agreement or the Third Loan Agreement.

Article VII

MISCELLANEOUS

Section 7.01. The Closing Date shall be June 30, 1964.

Section 7.02. A date sixty days after the date of this Loan Agreement is hereby specified for the purposes of Section 9.04 of the Loan Regulations.

Section 7.03. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Borrower :

Banco Central de Costa Rica
San Jose
Costa Rica

Alternative address for cablegrams and radiograms :

Bancentral
San Jose

For the Bank :

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington 25, D.C.
United States of America

Alternative address for cablegrams and radiograms :

Intbafrad
Washington, D.C.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereto 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.

International Bank for Reconstruction and Development :

By W. A. B. LIFF
Vice President

Banco Central de Costa Rica :

By A. VARGAS E
Authorized Representative

SCHEDULE 1

AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>
October 1, 1964	\$157,000	October 1, 1969	158,000
April 1, 1965	157,000	April 1, 1970	158,000
October 1, 1965	158,000	October 1, 1970	158,000
April 1, 1966	158,000	April 1, 1971	158,000
October 1, 1966	158,000	October 1, 1971	158,000
April 1, 1967	158,000	April 1, 1972	158,000
October 1, 1967	158,000	October 1, 1972	158,000
April 1, 1968	158,000	April 1, 1973	158,000
October 1, 1968	158,000	October 1, 1973	158,000
April 1, 1969	158,000		

* To the extent that any part of the Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.03), the figures in this column represent dollar equivalents determined as for purposes of withdrawal.

PREMIUMS ON PREPAYMENT AND REDEMPTION

The following percentages are specified as the premiums payable on repayment in advance of maturity of any part of the principal amount of the Loan pursuant to Section 2.05 (b) of the Loan Regulations or on the redemption of any Bond prior to its maturity pursuant to Section 6.16 of the Loan Regulations :

<i>Time of Prepayment or Redemption</i>	<i>Premiums</i>
Not more than two years before maturity	½ %
More than two years but not more than four years before maturity	2 %
More than four years but not more than eight years before maturity	3½ %
More than eight years but not more than ten years before maturity	4¾ %
More than ten years before maturity	5¾ %

SCHEDULE 2

MODIFICATIONS OF LOAN REGULATIONS No. 4

For the purposes of this Loan Agreement the provisions of Loan Regulations No. 4 of the Bank, dated February 15, 1961, shall be deemed to be modified as follows :

(a) The following new paragraph is added as paragraph (d) of Section 2.05 :

“(d) The Bank and the Borrower may from time to time agree upon arrangements for prepayment and the application thereof in addition to, or in substitution for, those set forth in the provisions of paragraph (b) of this Section and of Section 6.16.”

(b) Paragraph 11 of Section 10.01 is amended to read as follows :

“11. The term ‘Project’ means the project for which the loan is granted, as described in Section 3.01 of the Loan Agreement and as the description thereof shall be amended from time to time by agreement between the Bank and the Borrower.”