

Public Disclosure Authorized

CONFORMED COPY

LOAN NUMBER 1397 PAN

Guarantee Agreement

(Second Livestock Project)

between

REPUBLIC OF PANAMA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated April 28, 1977

GUARANTEE AGREEMENT

AGREEMENT, dated April 28, 1977, between REPUBLIC OF PANAMA (hereinafter called the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS by the Loan Agreement of even date herewith between the Bank and Banco Nacional de Panamá (hereinafter called the Borrower) the Bank has agreed to make to the Borrower a loan in various currencies equivalent to eight million dollars (\$8,000,000), 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

General Conditions; Definitions

Section 1.01. The parties to this Agreement accept all the provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank dated March 15, 1974, 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 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

Guarantee; Provision of Funds

Section 2.01. Without limitation or restriction upon any of its other obligations under the 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 premium, if any, on the prepayment of the Loan and the punctual performance of all the other obligations of the Borrower, all as set forth in the Loan Agreement.

Section 2.02. Without limitation or restriction upon the provisions of Section 2.01 of this Agreement, the Guarantor specifically undertakes, whenever there is reasonable cause to believe that the funds available to the Borrower and PRODEIRHA will be inadequate to meet the estimated expenditures required for the carrying out of the Project, to make arrangements, satisfactory to the Bank, promptly to provide the Borrower and PRODEIRHA or cause the Borrower and PRODEIRHA to be provided with such funds as are needed to meet such expenditures.

ARTICLE III

Other Covenants

Section 3.01. (a) It is the policy of the Bank, in making loans to, or with the guarantee of, its members not to seek, in normal circumstances, specific security from the member concerned but to ensure that no other external debt shall have priority over its loans in the allocation, realization or distribution of foreign exchange held under the control or for the benefit of such member. To that end, if any lien shall be created on any public assets (as hereinafter defined), as security for any external debt, which will or might result in a priority for the benefit of the creditor of such external debt in the allocation, realization or distribution of foreign exchange, such lien shall, unless the Bank shall otherwise agree, ipso facto and at no cost to the Bank, equally and ratably secure the principal of, and interest and other charges on, the Loan, and the Guarantor, in creating or permitting the creation of such lien, shall make express provision to that effect; provided, however, that, if for any constitutional or other legal reason such provision cannot be made with respect to any lien created on assets of any of its political or administrative subdivisions, the Guarantor shall promptly and at no cost to the Bank secure the principal of, and interest and other charges on, the Loan by an equivalent lien on other public assets satisfactory to the Bank.

(b) The foregoing undertaking shall not apply to: (i) any lien created on property, at the time of purchase thereof, solely as security for payment of the purchase price of such property; and (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

(c) As used in this Section, the term "public assets" means assets of the Guarantor, of any political or administrative subdivision thereof and of any entity owned or controlled by, or operating for the account or benefit of, the Guarantor or any such subdivision, including gold and other foreign exchange assets held by any institution performing the functions of a central bank or exchange stabilization fund, or similar functions, for the Guarantor.

Section 3.02. The Guarantor shall cause PRODEIRHA:

(a) punctually to perform all of its obligations under the Sub-loan Agreement between PRODEIRHA and the Borrower, and all other obligations of PRODEIRHA in respect of the Project, in accordance with sound agricultural, administrative, economic and financial practices, under the supervision of experienced and competent management.

(b) to maintain separate livestock budgets, accounts, balance sheets, auditing and management for PRODEIRHA.

(c) to employ a technical manager for Livestock Operations of PRODEIRHA whose qualifications and experience are satisfactory to the Bank.

Section 3.03. The Guarantor shall: (a) provide to PRODEIRHA the facilities, veterinary services, and other services and resources required for the success of Part B of the Project; and

(b) guarantee the due and punctual payment of the principal of, and interest and other charges on, any Sub-loan to PRODEIRHA, and the premium, if any, on the prepayment of any such Sub-loan.

Section 3.04. The Guarantor shall: (a) establish and maintain such policies and adopt such measures consistent therewith as shall from time to time be necessary to provide for an adequate development of its livestock resources; and (b) afford the Bank a reasonable opportunity to exchange views with the Guarantor on any proposed new policies or measures which may affect the accomplishment of the objectives of the Project.

Section 3.05. The Guarantor shall: (a) maintain its existing policies, regulations and measures for the prevention of entry of foot and mouth disease and (b) establish such policies, issue such regulations and adopt such measures consistent therewith as shall from time to time be necessary to prevent introduction of foot and mouth disease in the territory of the Guarantor.

Section 3.06. The Guarantor shall take such steps satisfactory to the Bank as shall be required to protect the Borrower against risk of loss resulting from changes in the rates of exchange between the currencies (including balboas) used by the Borrower in the execution of the Project.

ARTICLE IV

Representative of the Guarantor; Addresses

Section 4.01. The Ministro de Hacienda y Tesoro of the Guarantor is designated as representative of the Guarantor for the purposes of Section 11.03 of the General Conditions.

Section 4.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Guarantor:

Ministerio de Hacienda y Tesoro
Panama, República de Panamá

Cable address:

HACIENDA
Panama, RP

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 Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF PANAMA

By /s/ Ricardo Bilonick
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Adalbert Krieger
Regional Vice President
Latin America and the Caribbean