No. 3859

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT and JAPAN

Guarantee Agreement—*Agricultural Projects* (with related letter and annexed Loan Regulations No. 4 and Loan Agreement—*Agricultural Projects*—between the Bank and Nochi Kaihatsu Kikai Kodan (Agricultural Land Development Machinery Public Corporation)). Signed at Washington, on 19 December 1956

Official text: English.

Registered by the International Bank for Reconstruction and Development on 27 May 1957.

BANQUE INTERNATIONALE POUR LA RECONSTRUCTION ET LE DÉVELOPPEMENT et JAPON

Contrat de garantie — *Projets agricoles* (avec lettre y relative et, en annexe, le Règlement n° 4 sur les emprunts et le Contrat d'emprunt — *Projets agricoles* — entre la Banque et la Nochi Kaihatsu Kikai Kodan [Société nationale de machines pour la mise en valeur des terres]). Signé à Washington, le 19 décembre 1956

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 27 mai 1957.

No. 3859. GUARANTEE AGREEMENT[1] (*AGRICULTURAL PROJECTS*) BETWEEN JAPAN AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 19 DECEMBER 1956

AGREEMENT, dated December 19, 1956, between JAPAN (hereinafter called the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS Japan is engaged in a program of reclamation and settlement of lands for agricultural purposes, and it is desirable to accelerate this program through the technique of rapid large-scale reclamation by mechanical means; and

WHEREAS as a measure auxiliary to the reclamation program it is desirable to increase the number of dairy cattle in Japan through increased importation; and

WHEREAS the Bank has expressed its willingness to assist in the reclamation program; and

WHEREAS by an agreement of even date herewith between the Bank and Nochi Kaihatsu Kikai Kodan (Agricultural Land Development Machinery Public Corporation) (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 four million three hundred thousand dollars ($4,300,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor undertake obligations as herein provided; and

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

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 June 15, 1956,[2] subject,

[1] Came into force on 19 March 1957 in regard to the Kamikita, Konsen and Cattle Importation Projects and on 15 May 1957 in regard to the Shinotsu Project, upon notification by the Bank to the Government of Japan.

[2] See p. 218 of this volume.

however, to the modifications thereof set forth in Schedule 3[1] 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.

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 and the premium, if any, on the prepayment of the Loan or the redemption of the Bonds, all as set forth in the Loan Agreement and in the Bonds.

Section 2.02. The Guarantor undertakes, whenever there is reasonable cause to believe that the funds available to the Borrower will be inadequate to meet the estimated expenditures required for carrying out the Kamikita Program and the Konsen Program, to make arrangements promptly to provide the Borrower or cause the Borrower to be provided on reasonable terms with such funds as are needed to meet such expenditures.

Article III

Section 3.01. The Guarantor shall cause to be performed, in accordance with the provisions of the Loan Agreement, all the covenants and agreements of the Borrower in respect of the Kamikita Program and the Konsen Program.

Section 3.02. (*a*) The Guarantor shall cause Hokkaido to enter into the Lease and duly to perform all the covenants and agreements therein expressed to be performed and observed by Hokkaido.

(*b*) The Guarantor shall cause Hokkaido to use the Shinotsu goods exclusively in the Shinotsu Program, shall cause the Shinotsu Program to be carried out with due diligence and efficiency and in conformity with sound financial and engineering practices and shall cause Hokkaido to use the Shinotsu goods and conduct its affairs in accordance with sound engineering, financial and business practices.

[1] See p. 236 of this volume.

Section 3.03. The Guarantor shall furnish or cause to be furnished to the Bank, promptly upon their preparation, the plans and specifications for the Shinotsu Program and any material modifications subsequently made therein, in such detail as the Bank shall from time to time request.

Section 3.04. The Guarantor shall cause Hokkaido to operate and maintain the Shinotsu goods and from time to time as needed make all necessary renewals and repairs thereof, all in accordance with sound engineering standards.

Section 3.05. The Guarantor shall, as soon as practicable after appropriate preparation of the land, cause the land comprised in the Kamikita Project, the Konsen Project and the Shinotsu Project to be settled by farmers in conformity with sound agricultural practices and administrative arrangements and shall provide, or cause to be provided on reasonable terms to such settlers such funds as may reasonably be required for establishing farms, purchasing cattle and bringing such land into proper cultivation. The Guarantor shall take or cause to be taken such steps as shall be necessary to assure subsequent productive and economic cultivation and use of land comprised in the Kamikita Project, Konsen Project and Shinotsu Project.

Section 3.06. The Guarantor shall cause the Cattle Importation Project to be carried out with due diligence and efficiency and in conformity with sound technical, administrative and financial practices.

Section 3.07. The Guarantor shall maintain or cause to be maintained records adequate to identify the Shinotsu goods and the Cattle, to disclose the use thereof in the Shinotsu Program and the Cattle Importation Project, respectively, to record the progress of the Shinotsu Program and the Cattle Importation Project (including the cost thereof) and to show the progress of settlement of farmers on the land comprised in the Kamikita Project, the Konsen Project and the Shinotsu Project; shall enable the Bank's representatives to inspect the Shinotsu Program and the Cattle Importation Project, the land comprised in the Shinotsu Program, the Shinotsu goods, the Cattle 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 Shinotsu Program, the Cattle Importation Project, the land comprised in the Shinotsu Program, the Shinotsu goods and the Cattle.

Section 3.08. 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; (ii) any lien on commercial goods to secure a debt maturing not more than one year after the date on which it is originally incurred and to be paid out of the proceeds of sale of such commercial goods; or (iii) any lien arising in the ordinary course of banking transactions to secure a debt maturing not more than one year after the date on which it is originally incurred.

The term " assets of the Guarantor " as used in this Section includes assets of the Guarantor or of any agency of the Guarantor.

The Guarantor further undertakes that, within the limits of its constitutional powers, it will make the foregoing undertaking effective with respect to liens on the assets of any of its political subdivisions and their agencies, including local governing authorities.

Section 3.09. (*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 3.10. 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 or fees 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, or fees upon, 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.