

No. 2016

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

**Loan Agreement (with annexed Loan Regulations No. 1).
Signed at Washington, on 22 August 1947**

**Letter-Agreement regarding advances prior to the effective
date of the Loan Agreement. Signed on 22 August
and 3 September 1947**

Official text: English.

*Registered by the International Bank for Reconstruction and Development on
13 January 1953.*

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

**Contrat d'emprunt (avec, en annexe, le Règlement n° 1 sur
les emprunts). Signé à Washington, le 22 août 1947**

**Accord par lettre relatif à des avances effectuées avant la
date d'entrée en vigueur du Contrat d'emprunt. Signé
les 22 août et 3 septembre 1947**

Texte officiel anglais.

*Enregistré par la Banque internationale pour la reconstruction et le développement
le 13 janvier 1953.*

No. 2016. LOAN AGREEMENT¹ BETWEEN THE KINGDOM OF DENMARK AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 22 AUGUST 1947

AGREEMENT, dated August 22, 1947, between KINGDOM OF DENMARK, party of the first part, and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT, party of the second part.

WHEREAS the Kingdom of Denmark has prepared a program for the general reconstruction of the productive facilities and resources of Denmark; and

WHEREAS the Kingdom of Denmark has made application to the Bank for a loan to assist in the financing of a part of such program; and

WHEREAS the Bank has agreed to grant such a loan in the amount hereinafter specified and on the terms and conditions hereinafter set forth;

NOW THEREFORE, the Kingdom of Denmark and the International Bank for Reconstruction and Development hereby agree as follows :

Article I

DEFINITIONS

Wherever used in this Agreement or in any Schedule annexed hereto, unless the context shall otherwise require, the following terms shall have the respective meanings hereinafter in this Article set forth :

(1) The term Borrower means Kingdom of Denmark, the party of the first part hereto.

(2) The term Bank means International Bank for Reconstruction and Development, the party of the second part hereto.

(3) The term territories of the Borrower means the Danish Kingdom inclusive of the Faeroes and Greenland.

(4) The term Loan means the loan provided for in this Agreement.

(5) The term Loan Account means the loan account to be opened as provided in Section 1 of Article IV of this Agreement.

(6) The term United States means the United States of America.

¹ Came into force on 17 October 1947, upon the furnishing of evidence of ratification, in accordance with article XI.

(7) The term dollars and the sign \$ mean dollars in such coin or currency of the United States as at the time referred to shall be legal tender for the payment of public and private debts in the United States.

(8) The term Bond means a bond issued in accordance with Article V of this Agreement.

(9) The term principal office of the Bank means its principal office in the City of Washington, District of Columbia, United States. If the principal office of the Bank shall be changed and the Bank shall so notify the Borrower, the term principal office of the Bank shall thereafter mean the principal office so notified to the Borrower.

(10) The term goods means equipment and supplies which are required for the purposes specified in Article III of this Agreement, and whenever reference is made in this Agreement to the cost of any goods such cost shall be deemed to include the cost of importing such goods into the territories of the Borrower, but only to the extent that such cost shall be paid in currency other than Danish kroner.

(11) The term external debt means any debt payable in any currency other than Danish kroner, whether such debt is payable absolutely or at the option of the creditor in such other currency.

(12) The term Closing Date means December 31, 1948, or such other date as the Bank and the Borrower shall agree to as the Closing Date.

(13) The term Effective Date means the date on which this Agreement shall come into force and effect as provided in Section 1 of Article XI of this Agreement.

(14) The term this Agreement includes the respective Schedules¹ which are referred to therein and all of which are hereby incorporated herein and are herein referred to by their respective letters and numbers.

Article II

THE LOAN

Section 1. The Bank agrees to lend to the Borrower, on the terms and conditions in this Agreement set forth, the sum of \$40,000,000, or the equivalent thereof in currencies other than dollars as hereinafter provided.

Section 2. The amount of the Loan may be withdrawn by the Borrower as provided in Article IV of this Agreement. The Borrower shall pay to the Bank a commitment charge at the rate of one and one-half percent (1½ %) per annum on any amount of the Loan not so withdrawn from the Effective

¹ See pp. 258 and 262 of this volume.

Date to the respective dates on which the respective amounts shall be so withdrawn or the Bank shall have incurred firm obligations to others than the Borrower to pay such amounts, whichever shall be the earlier. Such commitment charge shall be payable in dollars semi-annually on February 1 and August 1 in each year.

Section 3. The Borrower shall pay interest at the rate of three and one quarter percent ($3\frac{1}{4}\%$) per annum on the principal amount of the Loan outstanding and unpaid from the respective dates on which the respective amounts of the Loan shall be withdrawn by the Borrower as provided in Article IV of this Agreement or the respective dates on which the Bank shall incur firm obligations to others than the Borrower to pay such amounts, whichever shall be the earlier. Such interest shall be payable in dollars semi-annually on February 1 and August 1 in each year, except that interest on any part of the Loan which shall be repayable in any currency other than dollars shall be payable in such other currency.

Section 4. The Borrower shall also pay to the Bank a commission at the rate of one percent (1%) per annum on the principal amount of the Loan outstanding and unpaid from the respective dates on which the respective amounts of the Loan shall be withdrawn by the Borrower as provided in Article IV of this Agreement or on which the Bank shall incur firm obligations to others than the Borrower to pay such amounts, whichever shall be the earlier. Such commission shall be payable in dollars semi-annually on February 1 and August 1 in each year, except that such commission on any part of the Loan which shall be repayable in any currency other than dollars shall be payable in such other currency.

Section 5. In all cases in which it shall be necessary to compute the amount of commitment charge, interest or commission which shall have accrued under this Agreement for periods of less than six months, such commitment charge, interest or commission shall be computed on a daily basis, using a 365 day factor. For even periods of six months such commitment charge, interest and commission shall be computed on an annual basis.

Section 6. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 1 annexed hereto.

Section 7. Except as shall be otherwise specified in the Bonds, the principal of and interest and commission and commitment charge on the Loan and the premium on Bonds called for redemption prior to the maturity thereof shall be paid at the principal office of the Federal Reserve Bank of New York in The City of New York, State of New York, United States.

Section 8. If any goods shall be purchased in any country other than the United States, the Borrower shall make reasonable efforts to arrange to pay

all or part of the cost of such goods in the currency of such other country. To the extent that the Borrower shall so arrange to pay the cost of any goods in any currency other than dollars, the Borrower shall give the Bank a reasonable opportunity to advance such other currency in lieu of dollars as part of the Loan. To that end, whenever any part of the proceeds of the Loan is to be used to purchase goods in any country other than the United States and the Borrower shall be able to arrange to pay all or part of the cost of such goods in the currency of such other country, the Borrower shall so notify the Bank not less than 30 days (or such shorter period as shall be agreed upon between the Bank and the Borrower) prior to the date on which it shall apply for the withdrawal from the Loan Account of any amount for the purpose of paying, or reimbursing the Borrower for, the cost of such goods. If and to the extent that the Bank shall acquire any such other currency which it shall so advance in exchange for dollars, the part of the Loan so advanced shall be repayable in dollars and the equivalent in dollars of the part of the Loan so advanced shall be the amount of dollars paid by the Bank in exchange for such other currency. If and to the extent that the Bank shall advance any such other currency out of its capital held in such currency or out of its other holdings of such currency, the part of the Loan so advanced shall be repayable in such other currency and the equivalent in dollars of the part of the Loan so advanced shall be computed at the official rate for the exchange of dollars for such other currency at the date of the advance as determined by the International Monetary Fund.

Section 9. As to any part of the Loan which shall be repayable in any currency other than dollars,

(a) the equivalent in dollars of such part of the Loan shall be determined as provided in Section 8 of this Article;

(b) the amount of such other currency which the Borrower shall be required to pay on account of the principal of such part of the Loan shall be equal in value to the equivalent in dollars of such part of the Loan and shall be determined by valuing such other currency in terms of dollars at the selling rate for cable transfers of such other currency against dollars in The City of New York, United States, at noon on the date when payment of such principal shall be due, as certified by the Federal Reserve Bank of New York or, if such bank shall not certify such rate, as determined by the International Monetary Fund; and

(c) the amount of such other currency which the Borrower shall be required to pay on account of interest and commission on, or premium on redemption of, such part of the Loan shall be equal in value to interest, commission or redemption premium in dollars at the respective rates specified in this Agreement on the equivalent in dollars of such part of the Loan, and shall be deter-

mined by valuing such other currency in terms of dollars as hereinbefore in clause (b) of this Section provided.

If and when it shall be finally decided in accordance with Article IX of the Articles of Agreement of the Bank¹ that the provisions of Section 9 of Article II of such Articles are applicable to currencies of members paid in on account of their subscriptions to the capital stock of the Bank during any period for which such currencies have been loaned by the Bank, this Section shall cease to apply.

The foregoing provisions of this Section shall apply in respect of any part of the Loan which shall be repayable in any currency other than dollars notwithstanding any provision of this Agreement or of the Bond or Bonds representing such part of the Loan which shall specify the principal amount of such Bond or Bonds. The foregoing provisions of this Section shall not be applicable to any payment required to be made under the provisions of any Bond at a time when the Bank is not the beneficial owner of such Bond.

Article III

USE OF PROCEEDS OF THE LOAN

Section 1. The Borrower covenants that the proceeds of the Loan will be applied to the payment of the cost of purchasing and importing into the territories of the Borrower goods which will be required and used exclusively for productive purposes in the carrying out of the program of the Borrower, referred to in the preamble of this Agreement, for the general reconstruction and development of the productive facilities and resources of Denmark. The specific goods to be purchased out of the proceeds of the Loan shall be determined by agreement between the Bank and the Borrower, and the list of such goods may be modified from time to time by agreement between them.

Section 2. All goods purchased with the proceeds of the Loan shall be imported into the territories of the Borrower and shall there be used exclusively for the purposes specified in Section 1 of this Article; and, except as shall be otherwise agreed between the Bank and the Borrower, none of such goods shall be re-exported.

Article IV

WITHDRAWAL OF PROCEEDS OF THE LOAN

Section 1. The Bank shall open an account on its books in the name of the Borrower and shall credit to said account the amount of the Loan. The

¹ United Nations, *Treaty Series*, Vol. 2, p. 134; Vol. 19, p. 300, and Vol. 141, p. 355.

Borrower shall be entitled from time to time to withdraw from the Loan Account such amounts as shall be required by the Borrower in order to reimburse it for expenditures made subsequent to the Effective Date (except as shall be otherwise specifically provided by agreement between the Bank and the Borrower) for the purpose of paying the cost of goods purchased in accordance with Article III of this Agreement. The Borrower shall also be entitled from time to time to withdraw from the Loan Account such amounts as shall from time to time be approved by the Bank and as shall be reasonably required by the Borrower in order to enable it to pay the cost of such goods not theretofore paid.

Section 2. (A) Whenever the Borrower shall desire to draw on the Loan Account, the Borrower shall deliver to the Bank an application in writing setting forth :

(1) The amount which the Borrower so desires to withdraw from the Loan Account;

(2) A statement that said amount is required to reimburse the Borrower for, or to enable the Borrower to meet, expenditures made or to be made for the purpose of paying the cost of goods as therein set forth, which statement shall show, in such reasonable detail as the Bank shall request, the cost of such goods, the date on which such goods were ordered and the dates on which payment for such goods was made or will be due, the names and addresses of the purchasers and of the suppliers of such goods, and the known or intended destination and end-use of such goods;

(3) A statement that the Borrower has not theretofore withdrawn, or applied for the withdrawal, from the Loan Account of any amounts for the purpose of reimbursing the Borrower for or paying such expenditures, and that the Borrower has not obtained and will not obtain funds for such purpose out of the proceeds of any other loan or credit available to the Borrower, other than a short-term loan or credit established in anticipation of the withdrawal applied for and to be repaid pro tanto with the funds to be withdrawn, which loan or credit shall be described in the application;

(4) A statement that such expenditures were or will be made for the purposes specified in Article III of this Agreement; that the goods purchased or to be purchased by means of such expenditures are appropriate for such purposes; and that the cost and terms of purchase thereof are not unreasonable; and

(5) A statement that at the date of the application there is no existing default in the performance of any of the obligations of the Borrower under this Agreement.

(B) If such application shall be to withdraw from the Loan Account amounts for the purpose of enabling the Borrower to meet the cost of goods not theretofore paid, it shall also set forth :

(6) A statement of the arrangements under which the amount to be withdrawn from the Loan Account on such application will be applied to the payment of the cost of such goods; and

(7) An agreement by the Borrower that it will apply or cause to be applied the amount to be withdrawn from the Loan Account on such application only to the payment when and as due of the cost of such goods and that, as promptly as possible thereafter, the Borrower will furnish to the Bank proof satisfactory to the Bank that such amount has been so applied.

Section 3. (A) Each application under this Article shall be in writing in the English language and shall be signed on behalf of the Borrower by its representative or representatives duly authorized for the purpose. Each such application shall be executed and delivered to the Bank in triplicate as the Bank shall from time to time direct. Except as otherwise agreed between the Bank and the Borrower, each such application (except the final application for any currency) shall be for an amount of not less than \$100,000, or the equivalent thereof, in any one currency. Each such application shall relate to a single currency and applications relating to each currency shall be serially numbered in a separate series.

(B) The Borrower will make available to the Bank at all reasonable times original or duplicate receipted bills or invoices or other documents sufficient to show that the expenditures covered by the application have been made for the goods specified therein, in order that such documents may be inspected by representatives of the Bank. In general, each application and the accompanying documents must be sufficient to satisfy the Bank that the amount to be withdrawn from the Loan Account is to be used only for the purposes for which the Loan is granted as specified in Article III of this Agreement.

(C) If the expenditures to be reimbursed or paid by the withdrawal applied for were or are to be made in any currency other than dollars, the application shall so state and shall also state the amount of such expenditures in such other currency.

Section 4. The Borrower shall furnish to the Bank any and all such further documents and other evidence in support of the application as the Bank shall at any time or from time to time reasonably request and whether before or after the Bank shall make any advance requested in the application. All applications and other documents delivered to the Bank under this Article shall be in form and substance satisfactory to the Bank.

Section 5. If the Bank is satisfied that the application fully complies with the provisions of this Agreement and that the Borrower is entitled under this Agreement to withdraw from the Loan Account the amount applied for, the Bank will promptly pay such amount to or on the order of the Borrower; provided, however, that, if the expenditures to be reimbursed or paid by the

withdrawal applied for were made or are to be made in any currency other than dollars, the Bank shall have a reasonable opportunity, as provided in Section 8 of Article II of this Agreement, to make the advance applied for in such other currency. If the Borrower shall require funds in order to enable it to pay the cost of goods not theretofore paid and shall not be able to furnish with its application for withdrawal of such funds from the Loan Account all of the data specified in Section 2 of this Article so to be furnished and the Bank shall be satisfied that the Borrower does so require such funds and cannot reasonably obtain and furnish such data and that such funds will be applied to the payment of the cost of such goods, the Bank may permit the Borrower to withdraw such funds from the Loan Account notwithstanding the inability of the Borrower so to furnish such data.

Section 6. The Borrower may at its option by notice to the Bank cancel all or any part of the principal of the Loan which the Borrower shall not have withdrawn prior to such notice. If the Borrower shall not on or before the Closing Date have withdrawn from the Loan Account the full amount of the Loan, the amount of the Loan not so withdrawn shall be canceled. Upon the cancellation of any part of the Loan as provided in this Section or in Section 8 of this Article the obligation of the Borrower to pay the commitment charge, provided for in Section 2 of Article II, on such part of the Loan shall cease. Except as otherwise agreed between the Bank and the Borrower, any such cancellation shall be applied pro rata to the respective maturities of the instalments of the principal of the Loan as set forth in Schedule 1 annexed hereto.

Section 7. The obligation of the Bank to make any payment to the Borrower on account of the Loan as hereinbefore in this Article provided shall be subject to the condition that none of the events hereinafter described shall at the time when such payment would otherwise be due have occurred and be continuing, to wit :

(a) An Event of Default shall have happened and be existing under this Agreement.

(b) Any extraordinary situation shall develop subsequent to the date of this Agreement which shall make it improbable that the Borrower will be able to perform its obligations under this Agreement.

(c) The Borrower shall have become or been declared ineligible, under Section 6 of Article IV, Section 5 of Article V, Section 1 of Article VI or Section 2 (a) of Article XV of the Articles of Agreement of the International Monetary Fund,¹ to use the resources of said Fund or shall be suspended from membership in or cease to be a member of the Bank.

¹ United Nations, *Treaty Series*, Vol. 2, p. 40; Vol. 19, p. 280, and Vol. 141, p. 355.

(d) The Bank shall have suspended operations either temporarily or permanently as provided in Section 5 of Article VI of its Articles of Agreement.

Section 8. (A) Except as hereinafter in this Section provided, if any of the events described in Section 7 of this Article shall have happened and be continuing, the Bank may, at its option, by notice to the Borrower, terminate any and all obligations of the Bank to permit further withdrawals by the Borrower from the Loan Account and, upon the giving of such notice, all such obligations and all rights of the Borrower to make further withdrawals from the Loan Account shall forthwith cease and determine.

(B) If subsequent to the Effective Date and prior to the date of such termination the Borrower shall have incurred any binding obligation to apply any of the proceeds of the Loan not theretofore withdrawn by the Borrower to the purchase of goods as provided in this Agreement, the Bank shall in so far as shall not be inconsistent with any other provisions of this Agreement and upon receiving assurances satisfactory to the Bank that the amounts so to be withdrawn will be applied to the satisfaction of such obligation on the part of the Borrower, permit the withdrawal from the Loan Account, upon compliance with the provisions of this Agreement, of such amounts as shall be necessary in order to enable the Borrower to satisfy such obligations on its part.

(C) Upon the termination of the Bank's obligation to permit further withdrawals from the Loan Account as hereinbefore provided, the amount of the Loan not theretofore withdrawn from the Loan Account shall forthwith be canceled and, except as otherwise herein specifically provided, all the provisions of this Agreement shall continue in full force and effect.

Article V

BONDS

Section 1. Within 60 days after the Closing Date the Borrower shall execute and deliver to the Bank Bonds in the aggregate principal amount of the Loan which shall, at the time of delivery of such Bonds, be outstanding and unpaid. If any part of the Loan shall be repayable in any currency other than dollars, the Bonds representing the amount so repayable shall be payable as to principal and interest in such other currency and the aggregate principal amount of such Bonds shall be equal to the aggregate amount of such currency so advanced and not theretofore repaid. The respective maturities of the Bonds which shall be delivered hereunder shall correspond to the maturities specified in the amortization schedule set forth in Schedule 1 annexed hereto. Such Bonds shall be in such denominations as the Bank shall specify, shall all be dated as of the Closing Date and shall bear interest at the rate of three and one-quarter percent ($3\frac{1}{4}\%$) per annum from the date thereof; provided, how-

ever, that if the Closing Date shall not be a semi-annual interest payment date, the Bonds shall be dated as of the semi-annual interest payment date next following the Closing Date. Bonds in dollars shall be substantially in the form set forth in Schedule 2-A annexed hereto. Bonds in any currency other than dollars shall be substantially in the form set forth in Schedule 2-B annexed hereto, with such places of payment as the Bank shall specify and with such other modifications as the Bank shall reasonably require in order to conform to the law of the country in whose currency such Bonds are payable.

Section 2. At any time or from time to time the Bank shall have the right to sell, pledge or otherwise dispose of any of the Bonds. Except as the Bank shall otherwise elect or as otherwise specifically provided in this Agreement, the provisions of this Agreement shall continue in full force and effect until the entire principal amount of the Loan shall be canceled as provided in Article IV of this Agreement or shall be repaid. No holder of any Bond other than the Bank shall by virtue of being the holder thereof be entitled to any of the rights or benefits conferred, or be subject to any of the conditions or obligations imposed, upon the Bank under this Agreement except as shall be otherwise provided in such Bond. The Bank shall, before selling, pledging or otherwise disposing of any of the Bonds, notify the Borrower of the intention of the Bank so to do and shall afford to the Borrower a reasonable opportunity to express its views with regard thereto. The Bank shall not make any public offering of all or any of the Bonds without the prior agreement of the Borrower to such public offering. If at any time the Bank shall desire to make a public offering of all or any of the Bonds, the Bank shall so notify the Borrower. In any such case the Bank shall consult with the Borrower for the purpose of agreeing upon the form, terms and denominations of the Bonds so to be offered for sale and any and all other matters relating to the proposed offering and sale of such Bonds. The failure of the Bank to comply with any of the provisions of this Section shall not in anywise affect or impair the negotiability of the Bonds or the title or rights of any transferee of any of the Bonds.

Section 3. If the Bank shall at any time sell, without recourse, any of the Bonds, the obligation of the Borrower to pay the commission specified in Section 4 of Article II of this Agreement in respect of the principal of the Loan represented by such Bonds shall thereupon cease and determine.

Article VI

REDEMPTION OF BONDS

Section 1. The Borrower may, at its election, at any time or from time to time after the date of the Bonds, pay off and redeem all or any of the Bonds,

at a redemption price for each Bond equal to the principal amount thereof, plus the interest accrued and unpaid thereon to the date fixed for the redemption thereof, plus as a premium the following respective percentages of such principal amount: $\frac{1}{2}$ of 1 %, if redeemed not more than five years prior to the date of maturity specified in such Bond; 1 %, if redeemed more than five years and not more than ten years prior to said date; $1\frac{1}{2}$ %, if redeemed more than ten years and not more than fifteen years prior to said date; 2 %, if redeemed more than fifteen years and not more than twenty years prior to said date; and $2\frac{1}{2}$ %, if redeemed more than twenty years prior to said date.

Such premium shall be payable in the currency in which such Bond is payable.

Section 2. If the Borrower shall at any time elect to redeem less than all of the Bonds at the time outstanding and unpaid, the Bonds so to be redeemed shall be designated by lot, or in such other manner, as the Bank and the Borrower shall agree upon.

Section 3. The Borrower's election to redeem the Bonds or any thereof shall be exercised by giving notice to the Bank stating such election, designating the Bond or Bonds to be redeemed, stating the redemption price or prices thereof determined as in Section 1 of this Article provided, and stating the date (sometimes referred to in this Article as the date fixed for redemption) on which such Bonds are to be redeemed. Such notice shall be given not less than 90 days prior to the date fixed for redemption.

Section 4. Notice of election to redeem having been given as above provided, the Bonds to be redeemed shall on the date fixed for redemption become due and payable at their respective redemption prices determined as in Section 1 of this Article provided. From and after the date fixed for redemption (unless the Borrower shall fail to make payment of the redemption price or prices of such Bonds) interest on such Bonds shall cease to accrue and, upon presentation of such Bonds for payment and redemption in accordance with said notice, such Bonds shall be paid by the Borrower at the redemption price or prices aforesaid. If all or any of such Bonds shall not be so paid upon presentation thereof, they shall continue to bear interest as therein specified until paid. Upon the date fixed for redemption the Borrower shall pay to the Bank the amount of the commission accrued and unpaid on the part of the Loan represented by the Bonds to be redeemed.

Section 5. It is the desire of the Bank to encourage the redemption of the Bonds prior to the dates of maturity specified therein. Accordingly, if and

to the extent that the amounts to be paid by the Borrower on the redemption of Bonds at the time owned by the Bank can, and in the judgment of the Bank should, be used by it in the retirement of securities issued by it without the payment of a premium on the retirement thereof, or otherwise used in its operations, it is the intention of the Bank to permit the redemption of Bonds without the payment of a premium on such redemption. If the Borrower shall, not less than four months prior to the date on which it shall desire to redeem any of the Bonds in accordance with the provisions of this Article, request the Bank to permit the Borrower to redeem such Bonds without the payment of the premium provided for in Section 1 of this Article, the Bank will as promptly as possible notify the Borrower whether or not the Bank will so permit the redemption of such Bonds.

Article VII

PARTICULAR COVENANTS OF THE BORROWER

The Borrower hereby covenants as follows :

Section 1. So long as any part of the Loan shall be outstanding and unpaid, the Borrower will not, without the prior consent of the Bank, cause or permit to be created any mortgage, pledge or other charge or priority on any property or assets, or any revenues or receipts of the Borrower, or any of its political subdivisions, or any of its agencies, or any agency of any political subdivision of the Borrower, as security for any external debt of the Borrower, or of any such political subdivision or agency, unless the Loan shall be secured by such mortgage, pledge or other charge or priority equally and ratably with such other external debt; provided, however, that this Article shall not apply to any of the following : (a) the creation of any mortgage, pledge or other charge or priority on any property purchased, at the time of the purchase, solely as security for the payment of the purchase price of such property ; (b) any pledge of commercial goods to secure external debt maturing not more than one year after its date and to be paid out of the proceeds of sale of such commercial goods ; (c) any pledge of foreign securities, in connection with a program for their liquidation, to secure external debt maturing not more than two years after its date and to be paid out of the proceeds of the sale of such securities ; or (d) any pledge by Danmarks Nationalbank of any of its assets in the ordinary course of its banking business to secure any indebtedness maturing not more than one year after its date. For the purposes of this Section and of Section 2 of this Article the term agencies includes Danmarks Nationalbank, the Mortgage Bank of Denmark, and any fund or other institution which at the time is provided with capital by the Borrower or any of its political subdivisions or any of whose obligations at the time are guaranteed by the Borrower or any of its political subdivisions.

Section 2. So long as any part of the Loan shall be outstanding and unpaid, if the Borrower, or any of its political subdivisions, or any of its agencies, or any agency of any political subdivision of the Borrower shall propose to incur, assume or guarantee any external debt or substantially to modify the terms of payment of any then existing external debt incurred, assumed or guaranteed by any of them, the Borrower will notify the Bank promptly of the particular proposal and prior to taking the proposed action will afford to the Bank all opportunity which is reasonably practicable under the circumstances to exchange views with the Borrower with regard to such proposal; provided, however, that the foregoing provisions shall not apply to any of the following: (a) the incurring of additional external debt through utilization, in accordance with the terms of any credit established prior to the date of this Agreement, of any unused amounts available under such credit; (b) the entering into international payments or similar agreements the term of which is not more than one year and under which the transactions on each side are expected to balance over the period of the agreement; or (c) the incurring by Danmarks Nationalbank in the ordinary course of its business of any indebtedness maturing not more than one year after its date.

Section 3. In order that the Bank and the Borrower may cooperate to the fullest extent in assuring that the purposes of the Loan shall be accomplished, so long as any part of the Loan shall be outstanding and unpaid, the Borrower will afford to the Bank, from time to time as the Bank shall reasonably request:

(a) All reasonable opportunity for exchanges of views between accredited representatives of the Bank and officials empowered to represent the Borrower in such exchanges of views with regard to matters relating to the purposes of the Loan and the maintenance of the service thereof and other matters of mutual interest, it being understood that both the Bank and the Borrower will receive from one another suggestions and observations in regard to all such matters in a spirit of mutual cooperation; and

(b) All reasonable opportunity for responsible accredited representatives of the Bank to inspect any and all goods paid for out of the proceeds of the Loan and all contracts, orders, invoices and other documents and books of account relating to such goods and the end-use thereof; and

(c) All reasonable opportunity for responsible accredited representatives of the Bank to visit freely any part of the territories of the Borrower for the purpose of performing the functions set forth in paragraphs (a) and (b) of this Section and for the purpose of studying the financial and economic conditions of the Borrower and all other matters relating to the purposes of the Loan.

Section 4. If at any time so long as any part of the Loan shall be outstanding and unpaid any condition shall arise which shall prevent, obstruct or interfere with, or threaten to prevent, obstruct or interfere with, the accomplish-

ment of the purposes of the Loan or the maintenance of the service of the Loan, the Borrower will promptly inform the Bank of such condition and will afford to the Bank a reasonable opportunity to exchange views with the Borrower with regard thereto.

Section 5. So long as any part of the Loan shall be outstanding and unpaid, the Borrower will furnish to the Bank all such information, at such times and in such detail, as the Bank shall reasonably request relating to the progress of the program referred to in the preamble of this Agreement, the expenditure of the proceeds of the Loan, industrial and economic conditions in the territories of the Borrower and the international balance of payments position of the Borrower.

Section 6. The principal of the Loan, the interest accruing thereon, and the premium on the redemption thereof, as specified in this Agreement and the Bonds, and the commitment charge and the commission specified in Article II of this Agreement shall be paid without deduction for and free from any taxes, imposts, levies or duties of any nature now or at any time hereafter imposed by the Borrower or by any taxing authority thereof or therein and shall be paid free from all restrictions of the Borrower, its political subdivisions or its agencies; but this provision shall not be construed as exempting from taxation payments made under the provisions of any Bond when such Bond is beneficially owned by an individual or corporate resident of the Borrower.

Section 7. This Agreement and the Bonds issued hereunder shall be free of any issue, stamp or other tax imposed by the Borrower or any taxing authority thereof or therein.

Article VIII

REMEDIES OF THE BANK ON DEFAULT

Section 1. If any of the following events (hereinafter called Events of Default) shall happen, that is to say :

(a) if default shall be made in the payment of any instalment of interest on the Loan or on any of the Bonds or any instalment of commission or commitment charge on the Loan when and as the same shall become payable and such default shall continue for 30 days; or

(b) if default shall be made in the payment of the principal of any of the Bonds, whether upon the date of maturity of such Bonds or upon call for redemption or otherwise as provided in this Agreement; or

(c) if default shall be made in the performance of any other covenant or agreement on the part of the Borrower in the Bonds or in this Agreement set forth and such default shall continue for a period of 60 days after written notice thereof shall have been given by the Bank to the Borrower;

then and in each such case during the continuance of such Event of Default the Bank, at its option, may declare the principal of the Loan and of all the Bonds then outstanding (if not already due) to be due and payable immediately, and upon any such declaration such principal shall become and shall be due and payable immediately, anything in this Agreement or in the Bonds contained to the contrary notwithstanding.

Section 2. No delay or omission of the Bank to exercise any right or power accruing to it under this Agreement upon any Event of Default shall impair any such right or power or be construed to be a waiver of any such Event of Default or any acquiescence therein; nor shall the action of the Bank in respect of any default, or in respect of the waiver of any default, affect or impair any right or power of the Bank in respect of any other or subsequent default on the part of the Borrower and every right, power and remedy given hereunder to the Bank may be exercised by it from time to time and as often as it may deem expedient.

Article IX

INTERPRETATION OF AGREEMENT; ARBITRATION

Section 1. The respective rights and obligations of the parties under this Agreement and the Bonds shall be valid and enforceable in accordance with their terms anything in any statute, law or regulation of any nation or state or political subdivision thereof to the contrary notwithstanding. Neither party to this Agreement shall be entitled in any proceeding under this Article to assert any claim that any provision of this Agreement or of the Bonds is invalid or unenforceable because of any provision of the Articles of Agreement of the Bank or for any other reason.

Section 2. The provisions of this Agreement and of the Bonds shall be interpreted in accordance with the law of the State of New York, United States, as in effect at the date of this Agreement.

Section 3. (A) Any controversy between the parties to this Agreement, and any claim by one such party against the other, arising under this Agreement or the Bonds which shall not be determined by agreement of the parties shall be submitted to arbitration by an Arbitral Tribunal in accordance with the provisions of Loan Regulations No. 1¹ of the Bank dated May 9, 1947 (hereinafter called Regulations), a copy of which has been furnished to the Borrower; provided, however, that Sections 10 and 11 of such Regulations shall not apply to this Agreement, except as hereinafter in this Article specifically provided.

¹ See p. 264 of this volume.

(B) The provisions for arbitration set forth in such Regulations, except as hereinafter in this Article provided, shall be exclusive of any other procedure for the determination of controversies between the parties to this Agreement, and of any claim by one such party against the other, arising under this Agreement or under the Bonds issued hereunder.

(C) The Bank and the Borrower agree to abide by and comply with any award rendered by the Arbitral Tribunal in accordance with such Regulations. If, within 30 days after counterparts of the award shall be delivered to the parties as provided in such Regulations, the award shall not be complied with, any party may pursue such remedy or remedies as may be available to it for the enforcement, by execution or otherwise, of the award and of the provisions of this Agreement and the Bonds.

(D) Service of any notice or process in connection with any arbitration proceeding under this Article or any proceeding to enforce any such award may be made in the manner provided in Section 1 of Article X of this Agreement. The respective parties hereby waive any and all other requirements for service of any such notice or process.

Article X

MISCELLANEOUS PROVISIONS

Section 1. Any notice or demand required or permitted to be given under this Agreement shall be deemed to have been duly given when it shall be delivered in writing or by cable or radiogram to the party to which such notice or demand is required or permitted to be given at its address hereinafter specified, or at such other address as such party shall have designated by notice in writing to the party giving or making such notice or demand. The addresses so specified are :

(a) For the Bank : International Bank for Reconstruction and Development, 1818 H Street, N. W., Washington 6, District of Columbia, United States of America.

(b) For the Borrower : Ministry of Finance, Copenhagen, Denmark.

Section 2. This Agreement may be executed in several counterparts, each of which shall be an original and all collectively but one instrument.

Article XI

RATIFICATION

Section 1. This Agreement is subject to ratification on behalf of the Borrower by the Rigsdag. This Agreement shall come into force and effect on the date when the Borrower shall furnish to the Bank evidence, satisfactory to the Bank, of such ratification.

Section 2. As part of the evidence of ratification of this Agreement the Borrower shall furnish to the Bank an opinion of legal counsel, acceptable to the Bank, showing that this Agreement has been duly ratified by the Borrower and is legally binding upon it in accordance with the terms of this Agreement. Such opinion shall also show that the Bonds when signed and delivered as provided in this Agreement will constitute valid and binding obligations of the Borrower in accordance with their terms.

Section 3. The Borrower shall also furnish to the Bank sufficient evidence of the authority of the person or persons who will sign the Bonds and the applications provided for in Article IV of this Agreement and the authenticated specimen signature of each such person.

Section 4. If the Borrower shall not ratify this Agreement and furnish such evidence of its ratification thereof to the Bank within 60 days after the date of this Agreement, the Bank may at its option by notice to the Borrower terminate this Agreement. Upon the giving of such notice of termination, this Agreement and all obligations of the parties hereunder, shall forthwith cease and determine.

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be signed in their respective names by their representatives thereunto duly authorized as of the day and year first above written.

The Kingdom of Denmark :
By Henrik KAUFFMANN
Ambassador of Denmark

International Bank for Reconstruction
and Development :
By John J. McCLOY
President

SCHEDULE 1

The following table shows the amounts of the semi-annual payments of amortization for the \$40,000,000 principal amount of the Loan. Any part of the principal of the Loan aggregating less than \$40,000,000 or any part of the principal of the Loan repayable in any currency other than dollars shall be repayable at the same rate as is reflected in the following table :

<i>Date Payment Due</i>	<i>Payment of Principal</i>	<i>Principal amount outstanding after each payment</i>	<i>Date Payment Due</i>	<i>Payment of Principal</i>	<i>Principal amount outstanding after each payment</i>
Aug. 1, 1952		40,000,000	Feb. 1, 1963	1,333,000	29,867,000
Feb. 1, 1953	297,000	39,703,000	Aug. 1, 1963	1,354,000	28,513,000
Aug. 1, 1953	302,000	39,401,000	Feb. 1, 1964	1,376,000	27,137,000
Feb. 1, 1954	307,000	39,094,000	Aug. 1, 1964	1,399,000	25,738,000
Aug. 1, 1954	312,000	38,782,000	Feb. 1, 1965	1,422,000	24,316,000
Feb. 1, 1955	317,000	38,465,000	Aug. 1, 1965	1,445,000	22,871,000
Aug. 1, 1955	322,000	38,143,000	Feb. 1, 1966	1,468,000	21,403,000
Feb. 1, 1956	328,000	37,815,000	Aug. 1, 1966	1,492,000	19,911,000
Aug. 1, 1956	333,000	37,482,000	Feb. 1, 1967	1,516,000	18,395,000
Feb. 1, 1957	338,000	37,144,000	Aug. 1, 1967	1,541,000	16,854,000
Aug. 1, 1957	344,000	36,800,000	Feb. 1, 1968	1,566,000	15,288,000
Feb. 1, 1958	520,000	36,280,000	Aug. 1, 1968	1,591,000	13,697,000
Aug. 1, 1958	529,000	35,751,000	Feb. 1, 1969	1,617,000	12,080,000
Feb. 1, 1959	537,000	35,214,000	Aug. 1, 1969	1,644,000	10,436,000
Aug. 1, 1959	546,000	34,668,000	Feb. 1, 1970	1,670,000	8,766,000
Feb. 1, 1960	555,000	34,113,000	Aug. 1, 1970	1,697,000	7,069,000
Aug. 1, 1960	564,000	33,549,000	Feb. 1, 1971	1,725,000	5,344,000
Feb. 1, 1961	573,000	32,976,000	Aug. 1, 1971	1,753,000	3,591,000
Aug. 1, 1961	582,000	32,394,000	Feb. 1, 1972	1,781,000	1,810,000
Feb. 1, 1962	592,000	31,802,000	Aug. 1, 1972	1,810,000
Aug. 1, 1962	602,000	31,200,000			

SCHEDULE 2-A

FORM OF DOLLAR BOND

\$ 000
No. 000

\$ 000
No. 000

KINGDOM OF DENMARK

SERIAL BOND

DUE

KINGDOM OF DENMARK, for value received, hereby promises to pay to, or on the order of, INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT, an international institution established by Articles of Agreement among the respective Governments signatory thereto (hereinafter called the Bank), on the _____ day of _____, 19____, at the principal office of the Federal Reserve Bank of New York in the Borough of Manhattan in The City of New York, State of New York, United States of America, the sum of _____ Dollars in such coin or currency of the United States of America as at the time of payment thereof

shall be legal tender for the payment of public and private debts, and to pay interest thereon from _____, 19____, at said office in like coin or currency at the rate of 00 per centum per annum, payable semi-annually on February 1 and August 1 in each year.

This Bond is one of an issue of bonds of the aggregate principal amount of \$000,000 (or the equivalent thereof payable in other currencies) known as the Serial Bonds of Kingdom of Denmark, all issued under a Loan Agreement dated _____ between the Bank and Kingdom of Denmark.

The Bonds are subject to redemption at the election of Kingdom of Denmark as a whole at any time or in part (designated by lot, or in such other manner as may be agreed upon by the Bank and Kingdom of Denmark) from time to time upon at least 90 days notice to the Bank at its principal office in the City of Washington, District of Columbia, United States of America, at a redemption price for each Bond equal to the principal amount thereof and interest accrued thereon to the date fixed for such redemption, plus as a premium the following respective percentages of such principal amount : $\frac{1}{2}$ of 1 %, if redeemed not more than five years prior to the date of maturity specified therein; 1 %, if redeemed more than five years and not more than ten years prior to said date; $1\frac{1}{2}$ %, if redeemed more than ten years and not more than fifteen years prior to said date; 2 %, if redeemed more than fifteen years and not more than twenty years prior to said date; and $2\frac{1}{2}$ %, if redeemed more than twenty years prior to said date. After the redemption date specified in said notice interest on the Bonds shall cease to accrue and, upon presentation of the Bonds for payment and redemption in accordance with said notice such Bonds shall be paid by Kingdom of Denmark at the redemption price or prices aforesaid. If all or any of such Bonds shall not be so paid upon presentation thereof, they shall continue to bear interest as therein specified until paid.

In case an Event of Default as defined in the Loan Agreement between the Bank and Kingdom of Denmark shall happen, then and in each such case during the continuance of such Event of Default the Bank, at its option, may declare the principal of all the Bonds then outstanding (if not already due) to be due and payable immediately, and upon any such declaration such principal shall become and shall be due and payable immediately.

The principal of the Bonds, the interest accruing thereon, and the premium on the redemption thereof shall be paid without deduction for and free from any taxes, imposts, levies or duties of any nature now or at any time hereafter imposed by Kingdom of Denmark or by any taxing authority thereof or therein and shall be paid free from all restrictions of Kingdom of Denmark, its political subdivisions or its agencies; provided, however, that payments made under the provisions of any Bond shall not be exempt from taxation when such Bond is beneficially owned by an individual or corporate resident of the Kingdom of Denmark.

IN WITNESS WHEREOF, Kingdom of Denmark has caused this Bond to be signed in its name by its _____ thereunto duly authorized.

Kingdom of Denmark :
By _____

SCHEDULE 2-B

FORM OF BOND PAYABLE IN CURRENCY OTHER THAN DOLLARS

* 000
No. 000

* 000
No. 000

KINGDOM OF DENMARK

SERIAL BOND

DUE

KINGDOM OF DENMARK, for value received, hereby promises to pay to, or on the order of, INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT, an international institution established by Articles of Agreement among the respective Governments signatory thereto (hereinafter called the Bank), on the _____ day of _____, 19____, at the _____ the sum of _____ (insert amount of particular currency in which Bond is payable) in such coin or currency of _____ as at the time of payment thereof shall be legal tender for the payment of public and private debts, and to pay interest thereon from _____, 19____, at said office in like coin or currency at the rate of 00 per centum per annum, payable semi-annually on February 1 and August 1 in each year.

This Bond is one of an issue of bonds of the aggregate principal amount of \$000,000 (or the equivalent thereof payable in other currencies) known as the Serial Bonds of Kingdom of Denmark, all issued under a Loan Agreement dated _____ between the Bank and Kingdom of Denmark.

The Bonds are subject to redemption at the election of Kingdom of Denmark as a whole at any time or in part (designated by lot, or in such other manner as may be agreed upon by the Bank and Kingdom of Denmark) from time to time upon at least 90 days notice to the Bank at its principal office in the City of Washington, District of Columbia, United States of America, at a redemption price for each Bond equal to the principal amount thereof and interest accrued thereon to the date fixed for such redemption, plus as a premium the following respective percentages of such principal amount: $\frac{1}{2}$ of 1 %, if redeemed not more than five years prior to the date of maturity specified therein; 1 %, if redeemed more than five years and not more than ten years prior to said date; $1\frac{1}{2}$ %, if redeemed more than ten years and not more than fifteen years prior to said date; 2 %, if redeemed more than fifteen years and not more than twenty years prior to said date; and $2\frac{1}{2}$ %, if redeemed more than twenty years prior to said date.

After the redemption date specified in said notice interest on the Bonds shall cease to accrue and, upon presentation of the Bonds for payment and redemption in accordance

* Principal amount of bond in the particular currency.

with said notice such Bonds shall be paid by Kingdom of Denmark at the redemption price or prices aforesaid. If all or any of such Bonds shall not be so paid upon presentation thereof, they shall continue to bear interest as therein specified until paid.

In case an Event of Default as defined in the Loan Agreement between the Bank and Kingdom of Denmark shall happen, then and in each such case during the continuance of such Event of Default the Bank, at its option, may declare the principal of all the Bonds then outstanding (if not already due) to be due and payable immediately, and upon any such declaration such principal shall become and shall be due and payable immediately.

The principal of the Bonds, the interest accruing thereon, and the premium on the redemption thereof shall be paid without deduction for and free from any taxes, imposts, levies or duties of any nature now or at any time hereafter imposed by Kingdom of Denmark or by any taxing authority thereof or therein and shall be paid free from all restrictions of Kingdom of Denmark, its political subdivisions or its agencies; provided, however, that payments made under the provisions of any Bond shall not be exempt from taxation when such Bond is beneficially owned by an individual or corporate resident of the Kingdom of Denmark.

IN WITNESS WHEREOF, Kingdom of Denmark has caused this Bond to be signed in its name by its
thereunto duly authorized.

Kingdom of Denmark :
By

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 1, DATED 9 MAY 1947

REGULATIONS GOVERNING THE ARBITRATION OF CONTROVERSIES AND CLAIMS ARISING
UNDER LOAN AGREEMENTS

[Not published herein. See p. 116 of this volume.]

LETTER-AGREEMENT¹ BETWEEN THE KINGDOM OF DENMARK AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT REGARDING ADVANCES PRIOR TO THE EFFECTIVE DATE OF THE LOAN AGREEMENT. SIGNED ON 22 AUGUST AND 3 SEPTEMBER 1947

August 22, 1947

His Excellency
The Minister of Finance of the
Kingdom of Denmark
Copenhagen, Denmark

Dear Mr. Minister :

Referring to the agreement (hereinafter called the Loan Agreement) dated August 22, 1947,² between the Kingdom of Denmark (hereinafter called Denmark) and International Bank for Reconstruction and Development (hereinafter called the Bank) :

Article XI of the Loan Agreement provides, among other things, that the Loan Agreement is subject to ratification on behalf of Denmark by the Rigsdag and shall come into force and effect on the date when Denmark shall furnish satisfactory evidence of such ratification to the Bank. The Bank understands that, since ratification as contemplated by the Loan Agreement will necessarily require some time, Denmark desires that a portion of the principal amount of the loan provided for in the Loan Agreement be made available to it prior to and in anticipation of such ratification.

The Bank will make advances not to exceed in the aggregate \$ 10,000,000 to Denmark from time to time prior to the Effective Date specified in the Loan Agreement by permitting withdrawals by Denmark in the manner contemplated by the Loan Agreement, on the following terms and conditions :

(1) Except as provided in paragraph 3 below, such advances shall be subject to all the covenants, terms and conditions of the Loan Agreement as if, as to each amount so withdrawn by Denmark, the Loan Agreement had come into force and effect on the date of such withdrawal, and such withdrawal had been made thereunder; provided, however, that Denmark shall pay to the Bank a commitment charge at the rate of 1½ per cent per annum on the portion of said \$ 10,000,000 not so withdrawn from the date on which this letter shall come

¹ Came into force on 3 September 1947 by signature.

² See p. 224 of this volume.

into force and effect to the respective dates on which the respective amounts shall be so withdrawn or the Bank shall have incurred firm obligations to others than Denmark to pay such amounts, whichever shall be the earlier.

(2) If the Loan Agreement shall come into force and effect as provided in Article XI thereof, all amounts advanced hereunder shall be deemed to have been withdrawn under the Loan Agreement and all rights and obligations with respect thereto shall be governed solely by the covenants, terms and conditions of the Loan Agreement, without prejudice, however, to the right of the Bank to receive payment from Denmark of interest, commission and commitment charge accrued prior to the Effective Date of the Loan Agreement pursuant to paragraph 1 above.

(3) If the Loan Agreement shall be terminated by the Bank pursuant to Section 4 of Article XI thereof, the principal amount advanced and outstanding hereunder shall become due and payable immediately and shall be forthwith paid to the Bank together with all accrued interest, commission and commitment charge.

(4) This letter shall come into force and effect on the date on which the Bank shall have received satisfactory evidence that the terms of this letter have been approved in accordance with the provisions of Law No. 237 of June 4, 1947 (Lov Nr. 237 af 4. Juni 1947 om Optagelse af Statslaan i Den internationale Bank for Genopbygning og økonomisk Udvikling).

Please indicate the agreement of Denmark to the foregoing by signing the confirmation at the foot of the enclosed copy of this letter.

International Bank for Reconstruction
and Development :
By R. L. GARNER

Confirmed September 3, 1947
The Kingdom of Denmark :
By Thorkill KRISTENSEN
Minister of Finance