

No. 2344

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

Guarantee Agreement—*Second Agricultural Project* (with annexed Loan Regulations No. 4 and Loan Agreement—*Second Agricultural Project*—between the Bank and Framkvæmdabanki Islands). Signed at Washington, on 4 September 1953

Official text: English.

Registered by the International Bank for Reconstruction and Development on 29 October 1953.

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

Contrat de garantie—*Deuxième projet relatif à l'agriculture* (avec, en annexe, le Règlement n° 4 sur les emprunts et le Contrat d'emprunt—*Deuxième projet relatif à l'agriculture* — entre la Banque et la Framkvæmdabanki Islands). Signé à Washington, le 4 septembre 1953

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 29 octobre 1953.

No. 2344. GUARANTEE AGREEMENT¹ (*SECOND AGRICULTURAL PROJECT*) BETWEEN THE REPUBLIC OF ICELAND AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 4 SEPTEMBER 1953

AGREEMENT, dated September 4, 1953, between REPUBLIC OF ICELAND (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 Framkvæmdabanki Íslands (Iceland Bank of Development) (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 in an aggregate principal amount equivalent to one million three hundred fifty thousand dollars (\$1,350,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agree to guarantee the payment of the principal, interest and other charges on such loan and the obligations of the Borrower in respect thereof; and

WHEREAS the Guarantor, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed to guarantee the payment of the principal, interest and other charges on such loan and the obligations of the Borrower in respect thereof;

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. 4² of the Bank dated October 15, 1952, subject, however, to the modifications thereof set forth in Schedule 3³ 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.

¹ Came into force on 17 October 1953 upon notification by the Bank to the Government of the Republic of Iceland.

² See p. 282 of this volume.

³ See p. 294 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 premium, 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; (ii) any pledge of commercial goods or of the proceeds of sale thereof 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 any of its political subdivisions or any agency of the Guarantor or of any such political subdivision, including Landsbanki Íslands (National Bank of Iceland), or any institution performing the functions of a central bank.

Section 3.02. (a) The Guarantor and the Bank shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan. On the part of the Guarantor, such information shall include information with respect to financial and economic conditions in the territories of the Guarantor and the international balance of payments position of the Guarantor.

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

(c) The Guarantor shall afford all reasonable opportunity for accredited representatives of the Bank to visit any part of the territories of the Guarantor for purposes related to the Loan.

Section 3.03. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid without deduction for, and free from, any taxes 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.

Section 3.04. This Agreement, the Loan Agreement and the Bonds shall be free from any taxes or fees 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 Minister of Finance 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 : Republic of Iceland, Ministry of Finance, Reykjavik, Iceland, or Republic of Iceland, Legation of Iceland, 1906 23rd Street, N. W., Washington 6, D.C., United States of America.

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

Section 5.02. The Minister of Finance 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.

Republic of Iceland :
By Thor THORS
Authorized Representative

International Bank for Reconstruction and Development :
By Eugene R. BLACK
President

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 4, DATED 15 OCTOBER 1952

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

[*Not published herein. See United Nations, Treaty Series, Vol. 172, p. 115*]

LOAN AGREEMENT
(SECOND AGRICULTURAL PROJECT)

AGREEMENT, dated September 4, 1953, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and FRAMKVÆMÐA-BANKI ÍSLANDS (Iceland Bank of Development) (hereinafter called the Borrower).

Article I

LOAN REGULATIONS

Section 1.01. The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 4¹ of the Bank dated October 15, 1952, subject, however, to the modifications thereof set forth in Schedule 3² to this 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.

¹ See above.

² See p. 294 of this volume.

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in this Agreement set forth or referred to, an amount in various currencies equivalent to one million three hundred fifty thousand dollars (\$1,350,000).

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. 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.

The date specified for the purposes of Section 2.02 of the Loan Regulations is November 1, 1953, or the Effective Date, whichever shall be the earlier.

Section 2.04. The Borrower shall pay interest at the rate of five per cent (5%) 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 March 1 and September 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 Agreement.

Article III

USE OF PROCEEDS OF THE LOAN

Section 3.01. The Borrower shall apply the proceeds of the Loan exclusively to financing the cost of goods required to carry out the Project described in Schedule 2¹ to this Agreement. The goods to be financed out of the proceeds of the Loan shall be determined by agreement between the Bank and the Borrower, subject to modification by further agreement between them.

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.

¹ See p. 292 of this volume.

Section 4.02. The General Manager 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. (a) The Borrower shall cause the Project to be carried out with due diligence and efficiency and shall ensure that goods are available for the Project as required.

(b) The Borrower shall maintain or cause to be maintained records adequate to record the progress of the Project and to reflect in accordance with consistently maintained round accounting practices the financial condition and operations of the Borrower; shall enable the Bank's representatives to inspect the Project, the goods and any relevant records and documents; and shall furnish to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the Project, the goods, and the financial condition and operations of the Borrower.

Section 5.02. (a) The Bank and the Borrower 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.

(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 5.03. If the Borrower shall propose to incur any external debt, the Borrower shall inform the Bank of such proposal and, before the proposed action is taken, shall afford the Bank all opportunity which is reasonably practicable in the circumstances to exchange views with the Borrower with respect thereto; provided, however, that the foregoing provisions shall not apply to: (i) 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; or (ii) the incurring by the Borrower in the ordinary course of its business of any external indebtedness maturing not more than one year after the date on which it is originally incurred.

Section 5.04. 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 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 pledge of commercial goods or of the proceeds of sale thereof 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.

Section 5.05. The Borrower shall pay or cause to be paid all taxes or fees, 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 Agreement, the Guarantee Agreement 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, 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.

Section 5.06. The Borrower shall pay or cause to be paid all taxes and fees, 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 Agreement, the Guarantee Agreement or the Bonds.

Section 5.07. The Borrower will, upon a withdrawal from the Loan Account pursuant to Section 2.02 of this Agreement, pay into a special fund to be established by Búnadarbanki Islands (hereinafter called the Agricultural Bank) an amount in currency of the Guarantor equivalent to the amount of such withdrawal. Except as the Borrower and the Bank shall otherwise agree, the Borrower will cause the Agricultural Bank to use such fund only in loans made after July 1, 1953, to farmers and others engaged in agricultural pursuits to finance the costs of the program described in Schedule 2 to this Agreement.

Article VI

REMEDIES OF THE BANK

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

Article VII

EFFECTIVE DATE; TERMINATION

Section 7.01. The following event is specified as an additional condition to the effectiveness of this Agreement within the meaning of Section 9.01 (c) of the Loan Regulations: that the Borrower shall have obtained the agreement of the Agricultural Bank to use funds made available to it pursuant to Section 5.07 of this Agreement only as specified in that Section.

Section 7.02. The following is specified as an additional matter, within the meaning of Section 9.02 (d) of the Loan Regulations, to be included in the opinion or opinions to be furnished to the Bank : that the agreement between the Borrower and the Agricultural Bank referred to in Section 7.01 of this Agreement is valid and binding upon the Agricultural Bank in accordance with its terms.

Section 7.03. A date 60 days after the date of this Agreement is hereby specified for the purposes of Section 9.04 of the Loan Regulations.

Article VIII

MISCELLANEOUS

Section 8.01. The Closing Date shall be March 31, 1955.

Section 8.02. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Borrower : Framkvæmdabanki Íslands (Iceland Bank of Development), Lækjartorgi 1, Reykjavík, Iceland.

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

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto 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 Eugene R. BLACK
President

Framkvæmdabanki Íslands (Iceland Bank of Development) :

By Benjamín EIRÍKSSON
Authorized Representative

SCHEDULE 1

AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>	<i>Principal Amount Outstanding After Each Payment (expressed in dollars)*</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>	<i>Principal Amount Outstanding After Each Payment (expressed in dollars)*</i>
Mar. 1, 1958 . . .	—	\$1,350,000	Mar. 1, 1967 . . .	39,000	776,000
Sept. 1, 1958 . . .	\$26,000	1,324,000	Sept. 1, 1967 . . .	40,000	736,000
Mar. 1, 1959 . . .	26,000	1,298,000	Mar. 1, 1968 . . .	41,000	695,000
Sept. 1, 1959 . . .	27,000	1,271,000	Sept. 1, 1968 . . .	42,000	653,000
Mar. 1, 1960 . . .	28,000	1,243,000	Mar. 1, 1969 . . .	43,000	610,000
Sept. 1, 1960 . . .	28,000	1,215,000	Sept. 1, 1969 . . .	44,000	566,000
Mar. 1, 1961 . . .	29,000	1,186,000	Mar. 1, 1970 . . .	45,000	521,000
Sept. 1, 1961 . . .	30,000	1,156,000	Sept. 1, 1970 . . .	46,000	475,000
Mar. 1, 1962 . . .	31,000	1,125,000	Mar. 1, 1971 . . .	48,000	427,000
Sept. 1, 1962 . . .	31,000	1,094,000	Sept. 1, 1971 . . .	49,000	378,000
Mar. 1, 1963 . . .	32,000	1,062,000	Mar. 1, 1972 . . .	50,000	328,000
Sept. 1, 1963 . . .	32,000	1,030,000	Sept. 1, 1972 . . .	51,000	277,000
Mar. 1, 1964 . . .	34,000	996,000	Mar. 1, 1973 . . .	53,000	224,000
Sept. 1, 1964 . . .	35,000	961,000	Sept. 1, 1973 . . .	54,000	170,000
Mar. 1, 1965 . . .	35,000	926,000	Mar. 1, 1974 . . .	55,000	115,000
Sept. 1, 1965 . . .	36,000	890,000	Sept. 1, 1974 . . .	57,000	58,000
Mar. 1, 1966 . . .	37,000	853,000	Mar. 1, 1975 . . .	58,000	—
Sept. 1, 1966 . . .	38,000	815,000			

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>Premium</i>
Not more than 5 years before maturity	½%
More than 5 years but not more than 10 years before maturity	1%
More than 10 years but not more than 15 years before maturity	1¾%
More than 15 years before maturity	2½%

SCHEDULE 2

DESCRIPTION OF THE PROJECT

The general program of the Icelandic Government for increasing agricultural production in Iceland, principally that of animal products, includes the following goals for each of the years 1953 and 1954 :

1. The seeding, fertilizing, fencing and cultivation of approximately 3,500 hectares of grassland.

* To the extent that any part of the Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.02), the figures in these columns represent dollar equivalents determined as for purposes of withdrawal.

2. The increased mechanization of agriculture, through importation of equipment such as plows, harrows, mowing machines and other implements.
3. The construction of farm structures (with provision for fodder storage and manure pits) to house approximately 1,000 cattle and 20,000 sheep.
4. The building of approximately 150 farm houses with an aggregate capacity of about 35,000 cubic meters.

The Project is that portion of the program to be carried out during the second half of 1953 and during 1954.

SCHEDULE 3

MODIFICATIONS OF LOAN REGULATIONS NO. 4¹

For purposes of this Agreement, Loan Regulations No. 4 of the Bank, dated October 15, 1952, shall be deemed to be modified as follows :

- (a) Section 3.04 shall read, " The commitment charge shall be payable in pounds sterling."
- (b) Paragraph 13 of Section 10.01 shall read as follows :
" 13. The term ' goods ' means equipment, supplies and services of types which are required for the Project. Wherever reference is made to the cost of any goods, such cost shall be deemed to include the cost of importing such goods into the territories of the Guarantor."
- (c) A new paragraph 21 shall be added to Section 10.01, as follows :
" 21. The term ' pounds sterling ' means pounds sterling in currency of the United Kingdom of Great Britain and Northern Ireland."

¹ See p. 282 of this volume.