

No. 2059

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

Loan Agreement—*Railways Project*—(with annexed Loan Regulations No. 3 and related letters). Signed at Washington, on 27 October 1950

Letter-Agreement concerning special commitments. Washington, 13 February 1952

Official texts: English.

Registered by the International Bank for Reconstruction and Development on 28 January 1953.

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

Contrat d'emprunt — *Projet relatif aux chemins de fer* — (avec, en annexe, des lettres y relatives et le Règlement n° 3 sur les emprunts). Signé à Washington, le 27 octobre 1950

Accord par lettre concernant des engagements spéciaux. Washington, 13 février 1952

Textes officiels anglais.

Enregistrés par la Banque internationale pour la reconstruction et le développement le 28 janvier 1953.

No. 2059. LOAN AGREEMENT¹ (*RAILWAYS PROJECT*)
BETWEEN THE KINGDOM OF THAILAND AND THE
INTERNATIONAL BANK FOR RECONSTRUCTION AND
DEVELOPMENT. SIGNED AT WASHINGTON, ON
27 OCTOBER 1950

AGREEMENT, dated October 27, 1950, between the KINGDOM OF THAILAND (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

Article I

THE LOAN

Section 1.01. The Bank agrees to lend to the Borrower, on the terms and conditions hereinafter in this Agreement set forth or referred to, the sum of three million dollars (\$3,000,000), or the equivalent in currencies other than dollars.

Section 1.02. The parties to this Agreement accept all the provisions of Loan Regulations No. 3² of the Bank, dated August 15, 1950 (hereinafter called the Loan Regulations), a copy of which has been furnished to the Borrower, with the same force and effect as if they were fully set forth herein. Each of the parties hereto agrees to perform all the obligations on its part to be performed under the Loan Regulations.

Section 1.03. 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 The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, the Loan Regulations. Copies of forms of withdrawal applications have been delivered to the Borrower.

Section 1.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent ($\frac{3}{4}\%$) per annum on the principal amount of the Loan not so withdrawn from time to time. Such commitment charge shall accrue from the Effective Date or from February 15, 1951, whichever shall be the earlier.

¹ Came into force on 24 February 1951 upon notification by the Bank to the Government of Thailand.

² See p. 16 of this volume.

Section 1.05. The Borrower shall pay interest at the rate of three and three-fourths percent ($3\frac{3}{4}\%$) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

Section 1.06. Interest and commitment charge shall be payable semi-annually on April 15 and October 15 in each year.

Section 1.07. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 1¹ to this Agreement.

Article II

USE OF PROCEEDS OF THE LOAN

Section 2.01. The Borrower shall cause the proceeds of the Loan to be applied exclusively to the cost of goods which will be required for the carrying out of the Project as described in Schedule 2¹ to this Agreement. 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 2.02. The Borrower shall cause all goods purchased in whole or in part with the proceeds of the Loan to be used in the territories of the Borrower exclusively in the carrying out of the Project.

Article III

BONDS

Section 3.01. The Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in the Loan Regulations. The Minister of Finance of the Borrower and such person or persons as he shall appoint in writing are designated as the authorized representatives of the Borrower for the purposes of Section 6.12 of the Loan Regulations.

Article IV

PARTICULAR COVENANTS

Section 4.01. (a) The Borrower shall cause the Project to be carried out and completed with due diligence and efficiency and in conformity with sound engineering practice.

¹ See p. 14 of this volume.

(b) The Borrower shall furnish to the Bank, promptly upon their preparation, the plans and specifications for the Project and any material modifications subsequently made therein.

(c) The Borrower shall cause to be maintained records showing the use made of the goods and the progress of the Project (including the cost thereof); shall enable the Bank's representatives to examine 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 goods and the Project.

Section 4.02. (a) The Bank and the Borrower will cooperate fully to assure that the purposes of the Loan shall 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 Borrower, such information shall include information with respect to financial and economic conditions in the territories of the Borrower and the international balance of payments position of the Borrower.

(b) The Borrower and the Bank will 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 will promptly inform the Bank of any condition that shall interfere with, or threaten to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

(c) If the Borrower or any of its political subdivisions or any agency of the Borrower or of any such political subdivision shall propose to incur any substantial external debt, the Borrower will promptly inform the Bank of the proposal and, before the proposed action is taken, will 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 provisions of this paragraph (c) 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 and (ii) 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.

(d) The Borrower will afford all reasonable opportunity for accredited representatives of the Bank to visit any part of the territories of the Borrower for purposes related to the Loan.

Section 4.03. It is the mutual intention of the Borrower 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 Borrower undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any

assets of the Borrower or any of its political subdivisions or any agency of the Borrower or of any such political subdivision as security for any external debt, such lien shall 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 shall be made to that effect, provided, however, that this Section shall not apply to any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property.

Section 4.04. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid without deduction for and free from any taxes imposed by the Borrower or any taxing authority thereof or therein and free from all restrictions of the Borrower and its political subdivisions and agencies. The foregoing provisions of this Section shall not apply to taxes on 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 Borrower. The Loan Agreement and the Bonds shall be free of any issue, stamp or other tax imposed by the Borrower or any taxing authority thereof or therein.

Section 4.05. The Borrower shall satisfy the Bank that it has made adequate arrangements to insure the goods financed with the proceeds of the Loan against risks incident to their purchase and importation into the territories of the Borrower.

Section 4.06. The Borrower shall engage an engineering consultant satisfactory to the Bank to advise with respect to the rebuilding and re-equipping of the Makkasan Workshops and, unless the Bank shall otherwise agree, the Borrower shall be entitled to make withdrawals from the Loan Account only with respect to those items of equipment for said Workshops which are recommended by such consultant. Copies of any recommendations made by such consultant shall be promptly forwarded to the Bank.

Section 4.07. The Borrower will provide or cause to be provided the funds necessary to meet the costs of the Project as and when required.

Article V

REMEDIES OF THE BANK

Section 5.01. If any event specified in paragraph (1) or (2) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of thirty days or if any event specified in paragraph (3) 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 VI

MISCELLANEOUS

Section 6.01. The Closing Date shall be December 31, 1953.

Section 6.02. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Borrower : Minister of Finance, Ministry of Finance, Bangkok, Thailand.

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

Section 6.03. A date 120 days after the date of this Agreement is hereby specified for the purposes of Section 9.04 of the Loan Regulations.

Section 6.04. The Minister of Finance of the Borrower in office at the time in question 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 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.

Kingdom of Thailand :
By (*Signed*) Wan WAITHAYAKON
Authorized Representative

International Bank for Reconstruction and Development :
By (*Signed*) Eugene R. BLACK
President

SCHEDULE I
AMORTIZATION SCHEDULE

<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>
October 15, 1953	—	\$3,000,000	April 15, 1960	\$119,000	\$1,614,000
April 15, 1954	\$ 95,000	2,905,000	October 15, 1960	121,000	1,493,000
October 15, 1954	97,000	2,808,000	April 15, 1961	123,000	1,370,000
April 15, 1955	99,000	2,709,000	October 15, 1961	126,000	1,244,000
October 15, 1955	101,000	2,608,000	April 15, 1962	128,000	1,116,000
April 15, 1956	103,000	2,505,000	October 15, 1962	131,000	985,000
October 15, 1956	104,000	2,401,000	April 15, 1963	133,000	852,000
April 15, 1957	106,000	2,295,000	October 15, 1963	135,000	717,000
October 15, 1957	108,000	2,187,000	April 15, 1964	138,000	579,000
April 15, 1958	110,000	2,077,000	October 15, 1964	141,000	438,000
October 15, 1958	112,000	1,965,000	April 15, 1965	143,000	295,000
April 15, 1959	115,000	1,850,000	October 15, 1965	146,000	149,000
October 15, 1959	117,000	1,733,000	April 15, 1966	149,000	—

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	1/2 %
More than 5 years but not more than 10 years before maturity	1 %
More than 10 years before maturity	1 3/4 %

SCHEDULE 2

DESCRIPTION OF PROJECT

The Project consists of the rehabilitation, improvement and increase in capacity of the Royal State Railways of the Borrower. The part of the Project to be financed with the proceeds of the Loan consists of :

- (a) Procurement of spare parts for repairs of rolling stock;
- (b) Procurement and installation of mechanical signaling equipment;
- (c) Re-equipping the Makkasan Workshops.

The Project also comprises the establishment on or before April 30, 1951 of an autonomous, functioning authority satisfactory to the Bank, as a separate agency of the Borrower, which will be responsible for the management, operation and development of the Royal State Railways and which will have such organization, financial resources and procedures, and legal status and powers as are required to enable such authority to carry out its responsibilities efficiently. Such authority will carry out its functions in accordance with sound management principles.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 3, DATED 15 AUGUST 1950

REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK TO MEMBER GOVERNMENTS

[Not published herein. See *United Nations, Treaty Series, Vol. 156, p. 158.*]

LETTER DATED 27 OCTOBER 1950, FROM THE GOVERNMENT OF THAILAND TO THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT, CONCERNING THE PROJECT

THE ROYAL THAI EMBASSY
WASHINGTON 8 D.C.

No. 3332/2493

October 27, 1950

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

Gentlemen :

Referring to the three Loan Agreements of even date herewith between the Kingdom of Thailand and your Bank providing for three Loans for a Port Project,¹ a Railways Project² and an Irrigation Project,³ we are writing to confirm our agreement as follows :

1. Bids for equipment, supplies or contractor's services to be financed by the Bank will be invited promptly from suppliers and contractors in various countries. As soon as practicable, the Borrower will determine the bidders to whom firm contracts for the procurement of such equipment, supplies or contractor's services will be awarded.

2. If such firm contracts result in any substantial reduction from the estimated foreign exchange cost of the equipment, supplies or contractor's services to be financed out of any of the Loans, it is desirable that such reduction be reflected in a reduction in the amount of any such Loan. Accordingly, if the total amount of such estimated foreign exchange cost in any such Loan shall exceed the total actual foreign exchange cost resulting from such firm contracts, the Borrower will cancel an amount of the Loan equal to such excess. Such cancellation shall be made in accordance with the provisions of Article V of Loan Regulations No. 3⁴ of the Bank dated August 15, 1950.

¹ See p. 43 of this volume.

² See p. 3 of this volume.

³ See p. 25 of this volume.

⁴ See above.

Please confirm your agreement with the foregoing by signing the form of confirmation on the enclosed copy of this letter and returning it to us.

Very truly yours,

Kingdom of Thailand :
By Wan WAITHAYAKON
(H. R. H. Prince Wan Waithayakon)
Authorized Representative

Confirmed:

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

LETTER, DATED 6 FEBRUARY 1951, FROM THE INTERNATIONAL BANK
FOR RECONSTRUCTION AND DEVELOPMENT TO THE GOVERNMENT
OF THAILAND CONCERNING SPECIAL COMMITMENTS

February 6, 1951

Minister of Finance
Ministry of Finance
Bangkok, Thailand

Dear Sir :

1. Reference is made to Loan Agreement Nos. 35,¹ 36,² and 37³ between you and this Bank, signed on October 27, 1950, and to Loan Regulations No. 3⁴ which the agreements incorporate by reference.

2. As you are aware, Section 4.02 of Article IV of Loan Regulations No. 3 provides that the Bank may at the Borrower's request enter into special commitments and that the Bank may make a charge therefor as shall be agreed upon between the Bank and the Borrower. As a general rule the Bank has hitherto made this charge at the rate of 1% per annum.

3. I am pleased to inform you that the Bank has now decided to reduce this charge. On special commitments of this sort which are entered into by the Bank on or after the effective date of the respective Loan Agreements referred to above, the Bank plans to request a charge of $\frac{1}{2}$ of 1% per annum, this charge being in addition to the commitment charge of $\frac{3}{4}$ of 1%, payable under Section 1.04 of Article I of the Loan Agreements.

Sincerely yours,

(Signed) D. CRENA DE IONGH
Treasurer

¹ See p. 3 of this volume.

² See p. 25 of this volume.

³ See p. 43 of this volume.

⁴ See p. 16 of this volume.

LETTER-AGREEMENT¹ BETWEEN THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT AND THE GOVERNMENT OF THAILAND CONCERNING SPECIAL COMMITMENTS. WASHINGTON, ON 13 FEBRUARY 1952

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

1818 H Street, N. W.
Washington 25, D. C.

February 13, 1952

Minister of Finance
Ministry of Finance
Bangkok, Thailand

Dear Sir :

1. Please refer to Loan Agreement Number 35 TH (Railways Project)² between Kingdom of Thailand and this Bank and to Loan Regulations Number 3³ of the Bank which are applicable to that Loan Agreement pursuant to the provisions of Section 1.02 thereof.

2. On February 6, 1951 the Bank wrote to you setting forth its policy with regard to special commitments of the type referred to in Section 4.02 of Article IV of the Regulations.

3. Although you have not had occasion to apply for any such special commitments we feel that it would be desirable at this time to reach agreement as to the terms on which the Bank would enter into such a special commitment. We are therefore proposing uniform terms to all of our Borrowers, as follows :

(a) the charge specified in Section 4.02 of the Loan Regulations will be at the rate of 1/2 of 1% per annum on the outstanding portion of any special commitment entered into by the Bank at your request (in addition to the charge of 3/4 of 1% per annum provided in Section 1.04 of the Loan Agreement) :

¹ Came into force on 13 February 1952 by signature.

² See p. 3 of this volume.

³ See p. 16 of this volume.

(b) such charge will accrue from the date on which the Bank enters into such commitment to the date or dates on which such commitment is liquidated either by disbursement or cancellation; and

(c) such charge will be payable in United States dollars semi-annually (on April 15 and October 15 of each year in your case) together with other charges due under the Loan, in lieu of being debited to the Loan Account as a withdrawal therefrom as provided in Section 4.02 of the Regulations.

4. We are suggesting that this charge be payable semi-annually on April 15 and October 15 since it will be small in relation to other charges and we believe that this represents a more convenient and practical method of effecting payment.

5. If the foregoing terms are agreeable to you, please indicate your agreement by signing and returning the enclosed copy of this letter.

Sincerely yours,

Henry W. RILEY
Assistant Treasurer

Enclosure

cc : Mr. Boonma Wongswan

Confirmed :

Kingdom of Thailand

By BORIBHANDH

Authorized Representative