

No. 2083

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

**Loan Agreement — *Agricultural Project* — (with annexed  
Loan Regulations No. 3). Signed at Washington, on  
1 November 1951**

**Letter-Agreement concerning special commitments. Wash-  
ington, 13 February 1952**

*Official text: English.*

*Registered by the International Bank for Reconstruction and Development on  
9 February 1953.*

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

**Contrat d'emprunt — *Projet relatif à l'agriculture* — (avec,  
en annexe, le Règlement n° 3 sur les emprunts). Signé  
à Washington, le 1<sup>er</sup> novembre 1951**

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

*Texte officiel anglais.*

*Enregistré par la Banque internationale pour la reconstruction et le développement  
le 9 février 1953.*

No. 2083. LOAN AGREEMENT<sup>1</sup> (*AGRICULTURAL PROJECT*) BETWEEN THE REPUBLIC OF ICELAND AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 1 NOVEMBER 1951

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AGREEMENT, dated November 1, 1951, between REPUBLIC OF ICELAND (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

*Article I*

LOAN REGULATIONS

*Section 1.01.* The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 3<sup>2</sup> of the Bank, dated December 6, 1950, as modified by Schedule 3<sup>2</sup> to this Loan Agreement (such Loan Regulations No. 3 as so modified being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

*Article II*

THE LOAN

*Section 2.01.* The Bank agrees to lend to the Borrower, on the terms and conditions in this Loan Agreement set forth or referred to, the sum of three hundred sixty thousand pounds sterling (£ 360,000), or the equivalent thereof in currencies other than pounds sterling. Wherever used in this Loan Agreement, the term "pounds sterling" and the sign "£" mean pounds sterling in currency of the United Kingdom of Great Britain and Northern Ireland.

*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.

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<sup>1</sup> Came into force on 26 February 1952, upon notification by the Bank to the Government of Iceland.

<sup>2</sup> See p. 68 of this volume.

*Section 2.03.* The Borrower shall pay to the Bank a commitment charge at the rate of three quarters 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.

*Section 2.04.* The Borrower shall pay interest at the rate of four and one-half per cent ( $4\frac{1}{2}$  %) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

*Section 2.05.* Interest and commitment charge shall be payable semi-annually on June 1 and December 1 in each year.

*Section 2.06.* The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 1<sup>1</sup> to this Loan Agreement.

### *Article III*

#### USE OF PROCEEDS OF THE LOAN

*Section 3.01.* 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 2<sup>2</sup> to this Loan Agreement. The goods to be purchased out of the proceeds of the Loan shall be determined by agreement between the Borrower and the Bank, and the list of such goods may be modified from time to time by 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.

*Section 4.02.* The Minister of Finance and such person or persons as he shall appoint in writing are designated as authorized representatives of the Borrower for the purpose of Section 6.12 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 insure that goods are available for the Project as required.

<sup>1</sup> See p. 64 of this volume.

<sup>2</sup> See p. 66 of this volume.

(b) The Borrower shall maintain or cause to be maintained records adequate to show the progress of the Project ; 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 5.02.* (a) The Borrower 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 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 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 shall arise 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) The Borrower shall afford all reasonable opportunity for accredited representatives of the Bank to visit any part of the territories of the Borrower for purposes consistent with the spirit and purposes of the Loan.

*Section 5.03.* 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 of any of its political subdivisions or of any agency of the Borrower or of any such political subdivision as security for any external debt, such lien will 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 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 debt maturing not more than one year after the date on which it is incurred and to be paid out of the proceeds of sale of such commercial goods ; or (iii) any lien created by Landsbanki Íslands (National Bank of Iceland) or by any successor institution performing the functions of a central bank, on any of its assets in the ordinary course of its banking business to secure debt maturing by its terms not more than one year after the date on which it is incurred.

*Section 5.04.* The Borrower covenants that the principal of, and interest and other charges on, the Loan and the Bonds will 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 or any of its political subdivisions or any agency of the Borrower or of any such political subdivision. 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.

*Section 5.05.* The Borrower covenants that the Loan Agreement and the Bonds will be free of any issue, stamp or other tax imposed by the Borrower or any taxing authority thereof or therein.

*Section 5.06.* The Borrower will, upon a withdrawal from the Loan Account pursuant to Section 2.02 of this Loan Agreement, pay into a special fund to be established by Búnadarbanki Íslands (hereinafter called the Agricultural Bank) an amount in currency of the Borrower 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 to reimburse farmers and others engaged in agricultural pursuits for costs incurred by them after the date of this Loan Agreement in furtherance of the Project.

#### *Article VI*

##### REMEDIES OF THE BANK

*Section 6.01.* If any event specified in paragraph (a) or paragraph (b) 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 (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 Loan Agreement or in the Bonds to the contrary notwithstanding.

#### *Article VII*

##### MISCELLANEOUS

*Section 7.01.* A date sixty days after the date of this Loan Agreement is hereby specified for the purposes of Section 9.04 of the Loan Regulations.

*Section 7.02.* The Closing Date shall be December 31, 1952.

*Section 7.03.* The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Borrower : Republic of Iceland, Ministry of Finance, Reykjavik, Iceland, or Republic of Iceland, Legation of Iceland, 909 16th Street, N.W., Washington 6, D.C., U. S. A.

For the Bank : International Bank for Reconstruction and Development, 1818 H Street N.W., Washington 25, D.C., U. S. A.

*Section 7.04.* The Minister of Finance of the Borrower 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 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.

Republic of Iceland :

By Pétur EGGERZ  
Authorized Representative

International Bank for Reconstruction and Development :

By Eugene R. BLACK  
President

#### SCHEDULE 1

##### AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (Expressed in pounds sterling*)</i>	<i>Principal Amount Outstanding After Each Payment (Expressed in pounds sterling*)</i>	<i>Date Payment Due</i>	<i>Payment of Principal (Expressed in pounds sterling*)</i>	<i>Principal Amount Outstanding After Each Payment (Expressed in pounds sterling*)</i>
June 1, 1956 . . .	—	£ 360,000	June 1, 1961 . . .	£8,500	£284,000
December 1, 1956	£7,000	353,000	December 1, 1961	8,500	275,500
June 1, 1957 . . .	7,000	346,000	June 1, 1962 . . .	9,000	266,500
December 1, 1957	7,000	339,000	December 1, 1962	9,000	257,500
June 1, 1958 . . .	7,500	331,500	June 1, 1963 . . .	9,000	248,500
December 1, 1958	7,500	324,000	December 1, 1963	9,500	239,000
June 1, 1959 . . .	7,500	316,500	June 1, 1964 . . .	9,500	229,500
December 1, 1959	8,000	308,500	December 1, 1964	10,000	219,500
June 1, 1960 . . .	8,000	300,500	June 1, 1965 . . .	10,000	209,500
December 1, 1960	8,000	292,500	December 1, 1965	10,500	199,000

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

<i>Date Payment Due</i>	<i>Payment of Principal (Expressed in pounds sterling*)</i>	<i>Principal Amount Outstanding After Each Payment (Expressed in pounds sterling*)</i>	<i>Date Payment Due</i>	<i>Payment of Principal (Expressed in pounds sterling*)</i>	<i>Principal Amount Outstanding After Each Payment (Expressed in pounds sterling*)</i>
June 1, 1966 . . .	10,500	188,500	June 1, 1970 . . .	12,500	96,000
December 1, 1966	10,500	178,000	December 1, 1970	13,000	83,000
June 1, 1967 . . .	11,000	167,000	June 1, 1971 . . .	13,000	70,000
December 1, 1967	11,000	156,000	December 1, 1971	13,500	56,500
June 1, 1968 . . .	11,500	144,500	June 1, 1972 . . .	13,500	43,000
December 1, 1968	11,500	133,000	December 1, 1972	14,000	29,000
June 1, 1969 . . .	12,000	121,000	June 1, 1973 . . .	14,500	14,500
December 1, 1969	12,500	108,500	December 1, 1973	14,500	—

## 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 . . . . .	1¼ %
More than 15 years before maturity . . . . .	2½ %

## SCHEDULE 2

## DESCRIPTION OF THE PROJECT

The project is a part of the general plan of the Borrower aimed at increasing agricultural production in Iceland, principally that of animal products.

The project involves the importation into Iceland of cement, steel, timber and other materials in an aggregate amount at least equivalent to the amount of the Loan and their utilization for the following purposes :

(a) *Farm buildings*

Construction of farm buildings, such as dairy barns, sheep sheds, horse stables, hay barns, silos, manure pits and machine sheds for replacement and expansion of existing facilities.

(b) *Rural dwellings*

Construction of farm dwellings.

(c) *Improvement of grasslands*

Drainage, plowing, reseeding, fertilizing and fencing of grasslands.

## SCHEDULE 3

MODIFICATIONS OF LOAN REGULATIONS No. 3<sup>1</sup>

For the purposes of this Agreement the provisions of Loan Regulations No. 3 of the Bank, dated December 6, 1950, shall be deemed to be modified as follows :

(a) The second sentence of Section 2.02 of Loan Regulations No. 3 shall be deemed to read as follows :

“Such commitment charge shall accrue from the Effective Date or from December 1, 1951, whichever shall be the earlier, or from such other date as may be agreed upon between the Bank and the Borrower, to the respective dates on which amounts shall be withdrawn by the Borrower from the Loan Account as provided in Article IV or shall be cancelled pursuant to Article V.”

(b) Paragraph 12 of Section 10.01 of Loan Regulations No. 3 shall be deemed to read as follows :

“The term ‘goods’ means equipment, supplies and services of types which are required for the Project. Whenever 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 Borrower.”

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 3, DATED 6 DECEMBER 1950

REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK TO MEMBER GOVERNMENTS

[*Not published herein. See United Nations, Treaty Series, Vol. 158, p. 170.*]

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<sup>1</sup> See below.



LETTER-AGREEMENT<sup>1</sup> BETWEEN THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT AND THE REPUBLIC OF ICELAND CONCERNING SPECIAL COMMITMENTS. WASHINGTON, 13 FEBRUARY 1952

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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
1818 H STREET, N.W., WASHINGTON 25, D.C.

February 13, 1952

Republic of Iceland  
Ministry of Finance  
Reykjavik, Iceland

Gentlemen :

1. Please refer to Loan Agreement Number 53 IC (Agricultural Project)<sup>2</sup> between the Republic of Iceland and this Bank and to Loan Regulations Number 3<sup>3</sup> of the Bank which are applicable to that Loan Agreement pursuant to the provisions of Section 1.01 thereof.

2. Section 4.02 of such Regulations provides that the Bank may, at the request of the Borrower, enter into special commitment; and that the charge therefor shall be agreed upon between the parties. The Bank believes that a charge of  $\frac{1}{2}$  of 1 % per annum (in addition to the charge of  $\frac{3}{4}$  of 1 % per annum provided in Section 2.03 of the Agreement) is appropriate for such transactions.

3. Although you have not had occasion to apply for any such special commitments, the Bank feels that it would be desirable at this time to reach agreement as to the terms on which it would enter into such commitments. The Bank is therefore proposing uniform terms to all of its Borrowers, as follows :

(a) The charge specified in Section 4.02 of the Loan Regulations will be at the rate of  $\frac{1}{2}$  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  $\frac{3}{4}$  of 1 % per annum provided in Section 2.03 of the Loan Agreement) ;

(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

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<sup>1</sup> Came into force on 13 February 1952 by signature.

<sup>2</sup> See p. 56 of this volume.

<sup>3</sup> See p. 68 of this volume.

(c) such charge will be payable in Pounds sterling semi-annually (on June 1 and December 1 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. The Bank is suggesting that this charge be payable in the foregoing manner 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 so indicate your agreement by signing and returning the enclosed copy of this letter.

Sincerely yours,

Henry W. RILEY  
Assistant Treasurer

Enclosure

cc : Republic of Iceland  
Legation of Iceland  
909 16th Street, N.W.  
Washington 6, D.C.

Confirmed :

Republic of Iceland :  
By Eysteinn JÓNSSON  
Authorized Representative