

No. 2095

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

**Loan Agreement — *Fertilizer Project* — (with annexed Loan Regulations No. 3). Signed at Washington, on 26 August 1952**

*Official text: English.*

*Registered by the International Bank for Reconstruction and Development on 11 February 1953*

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

**Contrat d'emprunt — *Projet relatif à la fabrication d'engrais* — (avec, en annexe, le Règlement n° 3 sur les emprunts). Signé à Washington, le 26 août 1952**

*Texte officiel anglais.*

*Enregistré par la Banque internationale pour la reconstruction et le développement le 11 février 1953.*

No. 2095. LOAN AGREEMENT<sup>1</sup> (*FERTILIZER PROJECT*)  
BETWEEN THE REPUBLIC OF ICELAND AND THE  
INTERNATIONAL BANK FOR RECONSTRUCTION AND  
DEVELOPMENT. SIGNED AT WASHINGTON, ON 26  
AUGUST 1952

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AGREEMENT, dated August 26, 1952, between REPUBLIC OF ICELAND (hereinafter called the Borrower and the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

*Article I*

LOAN REGULATIONS

*Section 1.01.* The parties of this Loan Agreement accept all the provisions of Loan Regulations No. 3<sup>2</sup> of the Bank, dated December 6, 1950, subject, however, to the modifications thereof contained in 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, an amount in various currencies equivalent to eight hundred fifty-four thousand dollars (\$ 854,000). Wherever used in this Loan Agreement the term "pounds sterling" means 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 The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, the Loan Regulations.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 28 October 1952, upon notification by the Bank to the Government of Iceland.

<sup>2</sup> See p. 378 of this volume.

*Section 2.03.* The Borrowers 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.

*Section 2.04.* The Borrower shall pay interest at the rate of four and three-fourths per cent ( $4\frac{3}{4}$  %) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

*Section 2.05.* Except as the Borrower and the Bank shall otherwise agree, the charge payable for special commitments entered into by the Bank pursuant to Section 4.02 of the Loan Regulations shall be one-half of one per cent ( $\frac{1}{2}$  of 1 %) per annum on the principal amount of such special commitments outstanding.

*Section 2.06.* Interest and other charges shall be payable semi-annually on June 1 and December 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 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 specific 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.

*Section 3.02.* 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 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 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 of the Loan Regulations.

<sup>1</sup> See p. 374 of this volume.

<sup>2</sup> See p. 376 of this volume.

*Article V*

## PARTICULAR COVENANTS

*Section 5.01. (a)* The Borrower shall cause the Project to be carried out with due diligence and efficiency and in conformity with sound engineering and financial practices.

*(b)* The Borrower shall cause to be furnished 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 maintain or cause to be maintained records showing the use made of the goods and the progress of the Project (including the cost thereof) and the financial condition and operations of Áburdarverksmidjan, h/f (Fertilizer Plant, Inc.) (hereinafter called the Plant); 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, the Project, and the financial condition and operations of the Plant.

*Section 5.02.* The Borrower shall make arrangements satisfactory to the Bank with the Plant for the carrying out of the Borrower's obligations under Section 5.01 of this Agreement.

*Section 5.03. (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 related to the Loan.

*Section 5.04.* 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 by its terms 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 a debt maturing by its terms not more than one year after the date on which it is incurred.

*Section 5.05.* 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 Borrower 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 Borrower.

*Section 5.06.* The Loan Agreement and the Bonds shall be free from any taxes or fees that shall be imposed under the laws of the Borrower or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof and the Borrower shall pay all such 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.

*Section 5.07.* 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 Borrower or laws in effect in its territories.

*Section 5.08.* The Borrower shall satisfy the Bank that adequate arrangements have been made 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 5.09.* The Borrower shall make arrangements satisfactory to the Bank to insure that the necessary funds both in currency of the Borrower and in other

currencies to meet the costs of the Project payable in such currencies are available to the Plant as required.

#### 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.

*Section 6.02.* The following is specified pursuant to Section 5.02 (h) of the Loan Regulations as an additional event giving the Bank the power to suspend the right of the Borrower to make withdrawals from the Loan Account : Any condition shall exist which shall give the Bank reasonable cause to believe that the funds in currency of the Borrower and in other currencies needed for carrying out the Project will not be available as required, and the Borrower, after having been accorded a reasonable opportunity for consultation with the Bank is unable to show that it can provide or obtain such funds under arrangements satisfactory to the Bank.

#### Article VII

##### EFFECTIVE DATE ; TERMINATION

*Section 7.01. (a)* The following is specified as a condition to the effectiveness of this Agreement within the meaning of Section 9.01 (b) of the Loan Regulations : The Borrower shall have made the arrangements provided for in Section 5.02 of this Agreement.

*(b)* The following is specified as an additional matter, within the meaning of Section 9.02 (c) of the Loan Regulations, to be included in the opinion to be furnished to the Bank : That the arrangements referred to in Section 5.02 of this Agreement are valid and binding on the Borrower and the Plant.

*Section 7.02.* A date 45 days after the date of this Loan 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 September 1, 1953.

*Section 8.02.* 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, 1906 23rd 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 8.03.* 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 Thor THORS

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 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> |
|-------------------------|---|--|-------------------------|---|--|
| June 1, 1954 . . .      | —   | \$854,000  | June 1, 1957 . . .      | \$22,000  | \$728,000  |
| December 1, 1954        | \$20,000  | 834,000  | December 1, 1957        | 23,000  | 705,000  |
| June 1, 1955 . . .      | 20,000  | 814,000  | June 1, 1958 . . .      | 23,000  | 682,000  |
| December 1, 1955        | 21,000  | 793,000  | December 1, 1958        | 24,000  | 658,000  |
| June 1, 1956 . . .      | 21,000  | 772,000  | June 1, 1959 . . .      | 25,000  | 633,000  |
| December 1, 1956        | 22,000  | 750,000  | December 1, 1959        | 25,000  | 608,000  |

\* 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.

| <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> |
|-------------------------|---|--|-------------------------|---|--|
| June 1, 1960 . . .      | \$26,000  | \$582,000  | June 1, 1965 . . .      | \$32,000  | \$289,000  |
| December 1, 1960 . . .  | 26,000  | 556,000  | December 1, 1965 . . .  | 33,000  | 256,000  |
| June 1, 1961 . . .      | 27,000  | 529,000  | June 1, 1966 . . .      | 34,000  | 222,000  |
| December 1, 1961 . . .  | 28,000  | 501,000  | December 1, 1966 . . .  | 35,000  | 187,000  |
| June 1, 1962 . . .      | 28,000  | 473,000  | June 1, 1967 . . .      | 36,000  | 151,000  |
| December 1, 1962 . . .  | 29,000  | 444,000  | December 1, 1967 . . .  | 37,000  | 114,000  |
| June 1, 1963 . . .      | 30,000  | 414,000  | June 1, 1968 . . .      | 37,000  | 77,000   |
| December 1, 1963 . . .  | 30,000  | 384,000  | December 1, 1968 . . .  | 38,000  | 39,000   |
| June 1, 1964 . . .      | 31,000  | 353,000  | June 1, 1969 . . .      | 39,000  | —  |
| December 1, 1964 . . .  | 32,000  | 321,000  |                         |   |  |

#### 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 and not more than 10 years before maturity . . . . .  | 1 %            |
| More than 10 years and not more than 15 years before maturity . . . . . | 1 3/4 %        |
| More than 15 years before maturity . . . . .                            | 2 1/2 %        |

#### SCHEDULE 2

##### DESCRIPTION OF THE PROJECT

A plant having capacity for the production of approximately 18,200 tons of ammonium nitrate fertilizer annually will be erected near Reykjavik, Iceland and will be put into operation. Its capacity, measured in terms of pure nitrogen produced, will be approximately 6000 tons annually. Ammonium nitrate will be manufactured through a process whereby ammonia is synthesized from hydrogen obtained through electrolysis of water and nitrogen obtained through liquefaction of air. A part of the ammonia is oxidized to obtain nitric acid for mixing with the remaining part to form an ammonium nitrate solution which is crystallized to form the end product.

An access road and a 33 KV transmission line will be provided to serve the plant.

## SCHEDULE 3

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

For the purposes of the Loan Agreement, 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 shall read as follows :

“Such commitment charge shall accrue from the Effective Date or from a date 45 days after the date of the Loan Agreement, whichever shall be the earlier, 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) Section 3.01 shall be modified as follows :

“The Borrower shall use reasonable efforts to purchase goods with the currencies of the countries from which such goods are acquired. The proceeds of the Loan shall, to the extent that the Bank shall so elect, be withdrawn from the Loan Account in the several currencies in which goods are paid for. The Bank shall be under no obligation to permit the proceeds of the Loan to be withdrawn in any currency except pounds sterling.”

(c) Section 3.04 shall be modified as follows :

“The commitment charge shall be payable in pounds sterling.”

(d) Section 3.05 shall be modified as follows :

“For the purpose of determining the equivalent (in terms of dollars) of any part of the Loan withdrawn in another currency, the value of such other currency shall be as reasonably determined by the Bank.”

(e) The last two sentences of Section 4.02 shall be deleted.

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.