

No. 3011

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

**Guarantee Agreement—*Second Railway Project* (with annexed Loan Agreement—*Second Railway Project*—between the Bank and the State Railway of Thailand, and Loan Regulations No. 4). Signed at Washington, on 9 August 1955**

*Official text: English.*

*Registered by the International Bank for Reconstruction and Development on 22 November 1955.*

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

**Contrat de garantie — *Deuxième projet relatif aux chemins de fer* (avec, en annexe, le Contrat d'emprunt — *Deuxième projet relatif aux chemins de fer* — entre la Banque et les Chemins de fer nationaux de la Thaïlande, et le Règlement n° 4 sur les emprunts). Signé à Washington, le 9 août 1955**

*Texte officiel anglais.*

*Enregistré par la Banque internationale pour la reconstruction et le développement le 22 novembre 1955.*

No. 3011. GUARANTEE AGREEMENT<sup>1</sup> (*SECOND RAILWAY PROJECT*) BETWEEN THE KINGDOM OF THAILAND AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 9 AUGUST 1955

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AGREEMENT, dated August 9, 1955, between KINGDOM OF THAILAND (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 The State Railway of Thailand (hereinafter called the Borrower), which agreement and the schedules therein referred to are hereinafter called the Loan Agreement,<sup>2</sup> the Bank has agreed to make to the Borrower a loan in various currencies in an aggregate principal amount equivalent to twelve million dollars (\$12,000,000), 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. 4<sup>3</sup> of the Bank dated February 15, 1955 (said Loan Regulations No. 4 being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

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<sup>1</sup> Came into force on 16 November 1955, upon notification by the Bank to the Government of Thailand.

<sup>2</sup> See p. 290 of this volume.

<sup>3</sup> See p. 302 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.

*Section 2.02.* Without limitation or restriction upon the provisions of Section 2.01 of this Agreement, the Guarantor specifically undertakes, whenever there is reasonable cause to believe that the funds available to the Borrower will be inadequate to meet the estimated expenditures required for carrying out the Project, to make arrangements, satisfactory to the Bank, promptly to provide the Borrower or cause the Borrower to be provided with such funds as are needed to meet such expenditures.

## 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 lien on commercial goods 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 and securing a debt maturing not more than one year after its date.

The term “assets of the Guarantor” as used in this Section includes assets of the Guarantor or of any of its political subdivisions or of any agency of the Guarantor or of any such political subdivision, including the Bank of Thailand.

*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 re-

quest 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: 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 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.

Kingdom of Thailand

By P. SARASIN

Authorized Representative

International Bank for Reconstruction and Development

By Eugene R. BLACK

President

## LOAN AGREEMENT

*(SECOND RAILWAY PROJECT)*

AGREEMENT, dated August 9, 1955, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and THE STATE RAILWAY OF THAILAND (hereinafter called the Borrower), an autonomous body established by The State Railway of Thailand Act B.E. 2494.

*Article I*

## LOAN REGULATIONS

*Section 1.01.* The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 4<sup>1</sup> of the Bank dated February 15, 1955 (said Loan Regulations No. 4 being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

<sup>1</sup> See p. 302 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 twelve million dollars (\$12,000,000).

*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 ( $3/4$  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 five-eighths per cent ( $4\frac{5}{8}\%$ ) 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 ( $1/2$  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 February 15 and August 15 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 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 2<sup>2</sup> to this Agreement. The specific 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.

*Section 3.02.* The Borrower shall cause all goods financed out of the proceeds of the Loan to be imported into the territories of the Guarantor and there to be used 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.

<sup>1</sup> See p. 298 of this volume.

<sup>2</sup> See p. 300 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 carry out the Project with due diligence and efficiency and in conformity with sound engineering and financial practices.

(b) The Borrower shall furnish to the Bank, promptly as the Bank may from time to time request, the plans and specifications for the Project and any material modifications subsequently made therein.

(c) The Borrower shall maintain records adequate to identify the goods financed out of the proceeds of the Loan, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect in accordance with consistently maintained sound 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.* 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 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; or (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

*Section 5.04.* 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 Agree-

ment, 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 5.05.* 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 5.06.* Except as shall be otherwise agreed between the Bank and the Borrower, the Borrower shall insure or cause to be insured the goods financed with the proceeds of the Loan against risks incident to their purchase and importation into the territories of the Guarantor. Such insurance shall be consistent with sound commercial practice and shall be payable in dollars or in the currency in which the cost of the goods insured thereunder shall be payable.

#### *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*

##### MISCELLANEOUS

*Section 7.01.* The Closing Date shall be July 31, 1958.

*Section 7.02.* A date ninety days after the date of this Agreement is hereby specified for the purposes of Section 9.04 of the Loan Regulations.

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

For the Borrower: The State Railway of Thailand, Bangkok, Thailand.

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

The State Railway of Thailand  
By Boonma WONGSWAN  
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>
February 15, 1958 . . . . .	—	\$12,000,000	August 15, 1964 . . . . .	474,000	6,614,000
August 15, 1958 . . . . .	\$360,000	11,640,000	February 15, 1965 . . . . .	485,000	6,129,000
February 15, 1959 . . . . .	368,000	11,272,000	August 15, 1965 . . . . .	495,000	5,634,000
August 15, 1959 . . . . .	377,000	10,895,000	February 15, 1966 . . . . .	507,000	5,127,000
February 15, 1960 . . . . .	385,000	10,510,000	August 15, 1966 . . . . .	519,000	4,608,000
August 15, 1960 . . . . .	394,000	10,116,000	February 15, 1967 . . . . .	531,000	4,077,000
February 15, 1961 . . . . .	404,000	9,712,000	August 15, 1967 . . . . .	543,000	3,534,000
August 15, 1961 . . . . .	413,000	9,299,000	February 15, 1968 . . . . .	556,000	2,978,000
February 15, 1962 . . . . .	422,000	8,877,000	August 15, 1968 . . . . .	569,000	2,409,000
August 15, 1962 . . . . .	432,000	8,445,000	February 15, 1969 . . . . .	582,000	1,827,000
February 15, 1963 . . . . .	442,000	8,003,000	August 15, 1969 . . . . .	595,000	1,232,000
August 15, 1963 . . . . .	452,000	7,551,000	February 15, 1970 . . . . .	609,000	623,000
February 15, 1964 . . . . .	463,000	7,088,000	August 15, 1970 . . . . .	623,000	—

\* 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.

#### 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 before maturity . . . . .	2%

## SCHEDULE 2

## DESCRIPTION OF PROJECT

The Project is a five-year program for the rehabilitation of the physical properties and the improvement of operations, management and administration of the Borrower. The program includes the following:

Part I. *Rehabilitation of the Roadway.*

This includes the following works and measures:

- (a) The replacement of old rails with rails weighing not less than 70 lbs. per yard on approximately 1,400 km. of existing main lines;
- (b) The installation of point locking devices on all mainline switches;
- (c) The remodelling of station yards, the extension of existing sidings, the construction of new sidings and of facilities for turning locomotives;
- (d) The replacement or reinforcement of bridges;
- (e) The acquisition of mechanical equipment for trackwork and the acquisition and installation of equipment for the impregnation of ties.

Part II. *Acquisition of Operating Equipment.*

This includes the acquisition of:

- (a) 30 diesel-electric locomotives of approximately 1,000 H.P. and an adequate supply of spare parts;
- (b) About 170 coaches and vans and about 850 freight cars;
- (c) About 5,800 sets of automatic couplers to be installed in place of the couplers now in use.

Part III. *Improvement of Railway Operations.*

This includes the following works and measures:

- (a) The installation of a telecommunications system to control train movements and dispatching of cars over the entire system and the installation of signalling equipment and block control apparatus;
- (b) The acquisition of weigh-bridges and material-handling equipment;
- (c) The provision of additional facilities for the Makkasan repair shops;
- (d) The organization of a statistical and planning section.

Part IV. *Construction of Service Buildings and Housing for Staff.*

Part V. *Improvement of Management and Administration.*

The Borrower has adopted and will continue in force various measures, and will adopt and will continue in force such other measures as shall be agreed upon between the Bank and the Borrower for the strengthening of its management and administration, the improvement of its operating procedures and practices, and the efficient and economic

conduct of its operations. These measures include the establishment of sound policies regarding capital expenditures, the strengthening of accounting and financial controls, the maintenance of a sound rate structure, the working out of a comprehensive plan for execution of Parts I-IV of the program as described above, the increase of commercial train speeds, and the establishment of a central personnel division.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 4, DATED 15 FEBRUARY 1955

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

*[Not published herein. See p. 160 of this volume.]*