

No. 4065

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**INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT  
and  
UNION OF SOUTH AFRICA**

**Loan Agreement — *Transport Project* (with annexed  
Loan Regulations No. 3). Signed at New York, on  
1 October 1957**

*Official text: English.*

*Registered by the International Bank for Reconstruction and Development on  
11 November 1957.*

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**BANQUE INTERNATIONALE POUR  
LA RECONSTRUCTION ET LE DÉVELOPPEMENT  
et  
UNION SUD-AFRICAINE**

**Contrat d'emprunt — *Projet relatif aux transports* (avec,  
en annexe, le Règlement n° 3 sur les emprunts). Signé  
à New-York, le 1<sup>er</sup> octobre 1957**

*Texte officiel anglais.*

*Enregistré par la Banque internationale pour la reconstruction et le développement  
le 11 novembre 1957.*

No. 4065. LOAN AGREEMENT<sup>1</sup> (*TRANSPORT PROJECT*)  
BETWEEN THE UNION OF SOUTH AFRICA AND THE  
INTERNATIONAL BANK FOR RECONSTRUCTION AND  
DEVELOPMENT. SIGNED AT NEW YORK, ON 1 OCTOBER 1957

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AGREEMENT, dated October 1, 1957, between THE UNION OF SOUTH AFRICA (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 of the Bank dated June 15, 1956,<sup>2</sup> subject, however, to the modifications thereof set forth in Schedule 3<sup>2</sup> to this Agreement (said 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 Agreement set forth or referred to, an amount in various currencies equivalent to twenty-five million dollars (\$25,000,000).

*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 The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, the Loan Regulations.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 ( $\frac{3}{4}$  of 1%) per annum on the principal amount of the Loan not so withdrawn from time to time. Such commitment

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<sup>1</sup> Came into force on 15 October 1957 upon notification by the Bank to the Government of the Union of South Africa.

<sup>2</sup> See p. 302 of this volume.

charge shall accrue from a date sixty days after the date of this Agreement to the respective dates on which amounts shall be withdrawn by the Borrower from the Loan Account as provided in Article IV of the Loan Regulations or shall be cancelled pursuant to Article V of the Loan Regulations.

*Section 2.04.* The Borrower shall pay interest at the rate of five and three-fourths per cent ( $5\frac{3}{4}\%$ ) 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 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 April 1 and October 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 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 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 Borrower and the Bank, 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 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.

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

<sup>2</sup> See p. 300 of this volume.

*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.

### *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 maintain or cause to be maintained 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 South African Railways and Harbours Administration; shall enable the Bank's representatives to inspect the Project, the goods and any relevant records and documents and the equipment and properties operated by, and the operations of, the South African Railways and Harbours Administration; 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 South African Railways and Harbours Administration.

*(c)* The Borrower shall maintain or cause to be maintained the plant, equipment and property owned by it and operated by the South African Railways and Harbours Administration and shall make or cause to be made all necessary renewals and repairs thereof, all in accordance with sound engineering practices; and shall at all times operate or cause to be operated such plant, equipment and property in accordance with sound business practices.

*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 interferes with, or threatens 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 5.03.* 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 public 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 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 created by the South African Reserve Bank on any of its assets in the ordinary course of its banking business to secure a debt maturing not more than one year after the date on which it is originally incurred.

The term “ assets of the Borrower ” as used in this Section includes assets of the Borrower or of any of its Provinces or other political subdivisions or of any agency of the Borrower or of any such Provinces or other political subdivisions, including assets of the South African Reserve Bank and of local governing authorities.

*Section 5.04.* 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 or fees imposed under the laws of the Borrower or laws in effect in its territories or in territories administered by it; 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 5.05.* 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 or in territories administered by it 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 5.06.* 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 or in territories administered by it.

*Section 5.07.* The Borrower shall satisfy the Bank that adequate arrangements have been made to insure the goods financed out of the proceeds of the Loan against risks incident to their purchase and importation into the territories of the Borrower.

### Article VI

#### REMEDIES OF THE BANK

*Section 6.01.* (i) 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 (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.

*Section 6.02.* The following are specified as additional events for the purposes of Section 5.02 (h) of the Loan Regulations :

- (i) Any event specified in paragraph (3) of Section 5.02 of Loan Regulations No. 3 of the Bank dated August 15, 1950,<sup>1</sup> with reference to the Loan Agreement dated January 23, 1951,<sup>2</sup> between the Borrower and the Bank shall have occurred;
- (ii) Any event specified in paragraph (c) of Section 5.02 of Loan Regulations No. 3 of the Bank dated October 15, 1952,<sup>3</sup> with reference to the Loan Agreement dated August 28, 1953,<sup>4</sup> between the Borrower and the Bank shall have occurred;
- (iii) Any event specified in paragraph (c) of Section 5.02 of Loan Regulations No. 3 of the Bank dated February 15, 1955,<sup>5</sup> with reference to the Loan

<sup>1</sup> United Nations, *Treaty Series*, Vol. 156, p. 158.

<sup>2</sup> United Nations, *Treaty Series*, Vol. 158, p. 135.

<sup>3</sup> United Nations, *Treaty Series*, Vol. 165, p. 252.

<sup>4</sup> United Nations, *Treaty Series*, Vol. 180, p. 73.

<sup>5</sup> United Nations, *Treaty Series*, Vol. 211, p. 172.

Agreement dated November 28, 1955,<sup>1</sup> between the Borrower and the Bank shall have occurred.

*Article VII*

MISCELLANEOUS

*Section 7.01.* The Closing Date shall be March 31, 1960.

*Section 7.02.* A date 60 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 :

Secretary to the Treasury  
Union Buildings  
Pretoria  
Union of South Africa

Alternative address for cablegrams and radiograms :

Findep  
Pretoria  
South Africa

For the Bank :

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

Alternative address for cablegrams and radiograms :

Intbafrad  
Washington, D. C.

*Section 7.04.* The Minister of Finance of the Borrower is designated for the purposes of Section 8.03 of the Loan Regulations.

*Section 7.05.* In this Agreement any reference to the Minister of Finance of the Borrower shall include a reference to any Minister of State of the Borrower for the time being acting for or on behalf of the Minister of Finance of the Borrower.

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<sup>1</sup> United Nations, *Treaty Series*, Vol. 230, p. 101.

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 City of New York, State of New York, United States of America, as of the day and year first above written.

The Union of South Africa :

By J. F. NAUDÉ

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>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>
April 1, 1960 . . . . .	\$1,253,000	April 1, 1964 . . . . .	\$1,571,000
October 1, 1960 . . . . .	1,289,000	October 1, 1964 . . . . .	1,616,000
April 1, 1961 . . . . .	1,326,000	April 1, 1965 . . . . .	1,663,000
October 1, 1961 . . . . .	1,364,000	October 1, 1965 . . . . .	1,711,000
April 1, 1962 . . . . .	1,403,000	April 1, 1966 . . . . .	1,760,000
October 1, 1962 . . . . .	1,443,000	October 1, 1966 . . . . .	1,811,000
April 1, 1963 . . . . .	1,485,000	April 1, 1967 . . . . .	1,862,000
October 1, 1963 . . . . .	1,527,000	October 1, 1967 . . . . .	1,916,000

\* 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 this column 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 2 years before maturity . . . . .	1/2 %
More than 2 years but not more than 4 years before maturity . . . . .	2 %
More than 4 years but not more than 6 years before maturity . . . . .	3 1/2 %
More than 6 years but not more than 8 years before maturity . . . . .	4 3/4 %
More than 8 years before maturity . . . . .	5 3/4 %



## SCHEDULE 2

## DESCRIPTION OF PROJECT

The Project is (a) the part of the development program of the South African Railways and Harbours Administration relating to its railway, harbor and road transport facilities for the three-year period ending March 31, 1960; and (b) the completion to a state of practical usefulness within a reasonable time after March 31, 1960, of such components of the part of the program described in clause (a) as are scheduled to be still in progress at that date.

The program is designed to increase the capacity of and modernize the transport facilities owned by the Borrower and operated by the South African Railways and Harbours Administration by modernizing, improving and adding to the existing facilities, with special emphasis on the increase of line and yard capacity, the expansion of motive power and rolling stock, the extension of modernized signalling and traffic control facilities, and the continued improvement and expansion of workshop facilities.

The part of the program described in clause (a) above contemplates expenditure by the Borrower of the equivalent of approximately 185 million South African pounds between April 1, 1957 and March 31, 1960. The main components of this part include :

- (i) the construction of new suburban, avoiding and branch lines;
- (ii) the strengthening and improvement of the existing permanent way by the construction of deviations and by regrading; by the replacement and strengthening of bridges; and by relaying with heavier rails;
- (iii) the provision of additional tracks on various sections, and of new or enlarged marshalling yards and goods yards;
- (iv) the extension and improvement of electrified sections;
- (v) the acquisition and construction of approximately 70 steam locomotives, 200 electric locomotive units, 135 diesel locomotives, 5 diesel rail-car sets, 155 electric motor coaches, 375 trailers, and 19,000 goods wagons and other rolling stock, and spare parts for all of the foregoing;
- (vi) the modernization and expansion of manufacturing and repair facilities by the construction and enlargement of mechanical workshops and running sheds and the acquisition and installation of machinery and equipment therefor;
- (vii) the improvement and installation of signalling and interlocking equipment, telegraph and telephone systems, electric power distribution, water supplies and other railway facilities;
- (viii) the construction and remodelling of station buildings and layouts, goods sheds, staff quarters, office buildings and other necessary buildings;
- (ix) the extension of harbor facilities and the acquisition and improvement of fixed and floating harbor equipment, pre-cooling plant and equipment required for construction work at the harbors.

## SCHEDULE 3

## MODIFICATIONS OF LOAN REGULATIONS No. 3

For the purposes of this Agreement the provisions of Loan Regulations No. 3 of the Bank, dated June 15, 1956, shall be deemed to be modified as follows :

(a) Section 2.02 is deleted.

(b) The eighth paragraph of the Form of Bond set forth in Schedule 1 and the seventh paragraph of the Form of Bond set forth in Schedule 2 are amended by inserting, after the word "territories" in each such paragraph, the words " , or in territories administered by it ".

## INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

## LOAN REGULATIONS No. 3, DATED 15 JUNE 1956

## REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK TO MEMBER GOVERNMENTS

*Article I*

## PURPOSE; APPLICATION TO LOAN AGREEMENTS

SECTION 1.01. *Purpose.* The purpose of these Regulations is to set forth certain terms and conditions generally applicable to loans made by the Bank directly to its members.

SECTION 1.02. *Application of Regulations.* Any loan agreement between the Bank and a member may provide that the parties thereto accept the provisions of these Regulations. To the extent so provided, these Regulations shall apply to such loan agreement and shall govern the rights and obligations thereunder of the parties thereto with the same force and effect as if they were fully set forth therein. These Regulations do not apply to any loan to a borrower other than a member whether or not guaranteed by a member.

SECTION 1.03. *Revocation or Amendment.* These Regulations are subject to revocation or amendment by the Bank at any time without prior notice, but no such revocation or amendment shall be effective in respect of any loan agreement previously entered into unless the parties thereto shall so agree.

SECTION 1.04. *Inconsistency with Loan Agreements.* If any provision of a loan agreement is inconsistent with a provision of these Regulations, the provision of the loan agreement shall govern.

*Article II*

## LOAN ACCOUNT; INTEREST AND OTHER CHARGES; REPAYMENT; PLACE OF PAYMENT

SECTION 2.01. *Loan Account.* The amount of the Loan shall be credited to a Loan Account which the Bank shall open on its books in the name of the Borrower.

SECTION 2.02. *Commitment Charge.* A commitment charge at the rate specified in the Loan Agreement shall be payable on the amount of the Loan standing to the credit of the Borrower from time to time in the Loan Account. Such commitment charge shall accrue from the Effective Date, or from a date 60 days after the date of the Loan Agreement, whichever shall be the earlier, or from such other date as may be specified in the Loan Agreement for the purpose of this Section, 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.

SECTION 2.03. *Interest.* Interest at the rate specified in the Loan Agreement shall be payable on the amount of the Loan withdrawn from the Loan Account and outstanding from time to time. Interest shall accrue from the respective dates on which amounts shall be so withdrawn.

SECTION 2.04. *Computation of Interest and Other Charges.* In all cases in which it shall be necessary to compute the amount of interest or any other charge which shall have accrued under the Loan Agreement for a period of less than six months, such computation shall be made on a daily basis using a 365-day factor. For even periods of six months, such computation shall be made on an annual basis.

SECTION 2.05. *Repayment.*

(a) The principal amount of the Loan withdrawn from the Loan Account shall be repayable in accordance with the amortization schedule to the Loan Agreement.

(b) The Borrower shall have the right, upon payment of all accrued charges for interest and payment of the premium specified in said amortization schedule, and upon not less than 45 days' notice to the Bank, to repay in advance of maturity (i) all of the principal amount of the Loan at the time outstanding or (ii) all of the principal amount of any one or more maturities, provided that on the date of such prepayment there shall not be outstanding any part of the Loan maturing after the part to be prepaid. However, if Bonds shall have been delivered pursuant to Article VI in respect of any part of the Loan to be prepaid, the terms and conditions of prepayment of that part of the Loan shall be those set forth in Section 6.16 and in such Bonds.

(c) It is the policy of the Bank to encourage the repayment of its loans prior to maturity. Accordingly, the Bank will sympathetically consider, in the light of all circumstances then existing, any request of the Borrower to waive the payment of any premium payable under paragraph (b) of this Section or under Section 6.16 on repayment of any portions of the Loan or Bonds which the Bank has not sold or agreed to sell.

SECTION 2.06. *Place of Payment.* The principal of, and interest and other charges on, the Loan and the Bonds shall be paid at such places as the Bank shall reasonably request, except that payments under any Bonds held by others than the Bank shall be made at the places specified in the Bonds.

### Article III

#### CURRENCY PROVISIONS

SECTION 3.01. *Currencies in Which Proceeds of Loan Are to Be Withdrawn.* The Borrower shall use reasonable efforts to assure that payment for goods financed out of

the proceeds of the Loan is made in 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 the currency in which the Loan is denominated. Where the amount of the Loan is expressed in any one of the following manners :

- (a) in a specified currency (e.g. “                    dollars ”), or
- (b) in a specified currency or the equivalent thereof in other currencies (e.g. “ dollars or the equivalent thereof in currencies other than dollars ”), or
- (c) in various currencies equivalent to an amount in a specified currency (e.g. “ an amount in various currencies equivalent to                    dollars ”),  
then for the purposes of this Article, the Loan shall be deemed to be denominated in such specified currency (dollars in each of the above examples).

SECTION 3.02. *Currency in Which Principal Is Repayable: Amount of Repayment: Maturities.* The principal of the Loan shall be repayable in the several currencies withdrawn from the Loan Account and the amount repayable in each currency shall be the amount withdrawn in that currency. The foregoing provision is subject to one exception, namely : if withdrawal shall be made in any currency which the Bank shall have purchased with another currency for the purpose of such withdrawal, the part of the Loan so withdrawn shall be repayable in such other currency and the amount so repayable shall be the amount paid by the Bank on such purchase. Except as the Bank and the Borrower shall otherwise agree, the portion of the Loan to be repaid, under the provisions of this Section, in any particular currency shall be repayable in such instalments, not inconsistent with the instalments set forth in the amortization schedule to the Loan Agreement, as the Bank shall specify. Any premium payable under Section 2.05 on prepayment of any part of the Loan, or under Section 6.16 on redemption of any Bond, shall be payable in the currency in which the principal of such part of the Loan, or of such Bond, is repayable.

SECTION 3.03. *Currency in Which Interest Is Payable.* Interest on any part of the Loan shall be payable in the currency in which the principal of such part of the Loan is repayable.

SECTION 3.04. *Currency in Which Commitment Charge Is Payable.* The commitment charge shall be payable in the currency in which the Loan is denominated.

SECTION 3.05. *Valuation of Currencies.* For the purpose of determining the equivalent (in terms of the currency in which the Loan is denominated) of any part of the Loan withdrawn in another currency, the value of such other currency shall be as reasonably determined by the Bank.

SECTION 3.06. *Exchange Restrictions.* Any payment required under the Loan Agreement to be made to the Bank in the currency of any country shall be made in such

manner, and in currency acquired in such manner, as shall be permitted under the laws of such country for the purpose of making such payment and effecting the deposit of such currency to the account of the Bank with a depository of the Bank in such country.

#### Article IV

##### WITHDRAWAL OF PROCEEDS OF LOANS

SECTION 4.01. *Withdrawal from the Loan Account.* The Borrower shall be entitled, subject to the provisions of these Regulations, to withdraw from the Loan Account (i) such amounts as shall have been expended for the reasonable cost of goods to be financed under the Loan Agreement; and (ii), if the Bank shall so agree, such amounts as shall be required to meet the reasonable cost of such goods. Except as shall be otherwise agreed between the Bank and the Borrower, no withdrawals shall be made on account of (a) expenditures prior to the Effective Date or (b) expenditures in the currency of the Borrower or for goods produced in (including services supplied from) the territories of the Borrower or (c) expenditures in the territories of any country which is not a member of the Bank or for goods produced in (including services supplied from) such territories.\*

SECTION 4.02. *Special Commitments by the Bank.* Upon the Borrower's request and upon such terms and conditions as shall be agreed upon between the Bank and the Borrower, the Bank may enter into special commitments in writing to pay amounts to the Borrower or others in respect of the cost of goods notwithstanding any subsequent suspension or cancellation pursuant to Article V.

SECTION 4.03. *Applications for Withdrawal or for Special Commitment.* When the Borrower shall desire to withdraw any amount from the Loan Account or to request the Bank to enter into a special commitment pursuant to Section 4.02, the Borrower shall deliver to the Bank a written application in such form, and containing such statements and agreements, as the Bank shall reasonably request. Since the rate at which Loan proceeds are withdrawn affects the cost to the Bank of holding funds at the Borrower's disposal, applications for withdrawal, with the necessary documentation as hereinafter in this Article provided, shall, except as the Bank and the Borrower shall otherwise agree, be made promptly in relation to delivery of goods (or in the case of advance and progress payments to suppliers, in relation to such payments).

SECTION 4.04. *Supporting Evidence.* The Borrower shall furnish to the Bank such documents and other evidence in support of the application as the Bank shall reasonably request, whether before or after the Bank shall have permitted any withdrawal requested in the application.

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\* The Executive Directors have decided that, in view of the special relationship established between the Bank and Switzerland by the Agreement of June 29, 1951, the Bank should agree, if so requested by borrowers, to permit loan proceeds to be used to finance expenditures in the territories of Switzerland or for goods produced in (including services supplied from) such territories.

SECTION 4.05. *Sufficiency of Applications and Documents.* Each application and the accompanying documents and other evidence must be sufficient in form and substance to satisfy the Bank that the Borrower is entitled to withdraw from the Loan Account the amount applied for and that the amount to be withdrawn from the Loan Account is to be used only for the purposes specified in the Loan Agreement.

SECTION 4.06. *Payment by Bank.* Payment by the Bank of amounts which the Borrower is entitled to withdraw from the Loan Account shall be made to or on the order of the Borrower.

### Article V

#### CANCELLATION AND SUSPENSION

SECTION 5.01. *Cancellation by the Borrower.* The Borrower may by notice to the Bank cancel all or any part of the Loan which the Borrower shall not have withdrawn prior to the giving of such notice.

SECTION 5.02. *Suspension by the Bank.* If any of the following events shall have happened and be continuing, the Bank may by notice to the Borrower suspend the right of the Borrower to make withdrawals from the Loan Account :

- (a) A default shall have occurred in the payment of principal or interest or any other payment required under the Loan Agreement or the Bonds.
- (b) A default shall have occurred in the payment of principal or interest or any other payment required under any other loan agreement or under any guarantee agreement between the Borrower and the Bank.
- (c) A default shall have occurred in the performance of any other covenant or agreement on the part of the Borrower under the Loan Agreement or the Bonds.
- (d) An extraordinary situation shall have arisen which shall make it improbable that the Borrower will be able to perform its obligations under the Loan Agreement.
- (e) The Borrower shall have been suspended from membership in or ceased to be a member of the Bank.
- (f) The Borrower shall have ceased to be a member of the International Monetary Fund or shall have become ineligible to use the resources of said Fund under Section 6 of Article IV of the Articles of Agreement of said Fund or shall have been declared ineligible to use said resources under Section 5 of Article V, Section 1 of Article VI or Section 2 (a) of Article XV of the Articles of Agreement of said Fund.<sup>1</sup>
- (g) After the date of the Loan Agreement and prior to the Effective Date any action shall have been taken which would have constituted a violation of any covenant contained in the Loan Agreement relating to the creation of liens as security for debt if the Loan Agreement had been effective on the date such action was taken.
- (h) Any other event specified in the Loan Agreement for the purposes of this Section shall have occurred.

<sup>1</sup> United Nations, *Treaty Series*, Vol. 2, p. 40; Vol. 19, p. 280; Vol. 141, p. 355; Vol. 199, p. 308, and Vol. 260, p. 432.

The right of the Borrower to make withdrawals from the Loan Account shall continue to be suspended until the event or events which gave rise to such suspension shall have ceased to exist or until the Bank shall have notified the Borrower that the right to make withdrawals has been restored, whichever is the earlier.

SECTION 5.03. *Cancellation by the Bank.* If any of the events described in Section 5.02 shall have happened and be continuing, or if the Borrower shall not at the Closing Date have withdrawn from the Loan Account the full amount of the Loan, the Bank may by notice to the Borrower terminate the right of the Borrower to make withdrawals from the Loan Account. Upon the giving of such notice the unwithdrawn amount of the Loan shall be cancelled.

SECTION 5.04. *Application of Cancellation or Suspension to Amounts Subject to Special Commitment.* Notwithstanding the provisions of Sections 5.01, 5.02 and 5.03, no cancellation or suspension pursuant to this Article shall apply to amounts subject to any special commitment entered into by the Bank pursuant to Section 4.02 except as expressly provided in such commitment.

SECTION 5.05. *Application of Cancellation to Maturities of the Loan.* Except as otherwise agreed between the Bank and the Borrower, any cancellation pursuant to this Article shall be applied *pro rata* to the several maturities of the principal amount of the Loan as set forth in the amortization schedule to the Loan Agreement, except that no such cancellation shall be applied to Bonds theretofore delivered or requested pursuant to Article VI, or to Bonds or portions of the Loan which the Bank has theretofore sold or agreed to sell.

SECTION 5.06. *Effectiveness of Provisions after Suspension or Cancellation.* Notwithstanding any cancellation or suspension pursuant to this Article, all the provisions of these Regulations and the Loan Agreement shall continue in full force and effect except as in this Article specifically provided.

## Article VI

### BONDS

SECTION 6.01. *Delivery of Bonds.* The Borrower shall execute and deliver Bonds representing the principal amount of the Loan, as hereinafter in this Article provided.

SECTION 6.02. *Payments on Bonds.* The payment of the principal of any Bonds shall *pro tanto* discharge the obligation of the Borrower to repay the principal of the Loan; and the payment of interest on any Bonds and of the service charge, if any, provided for in Section 6.04, shall *pro tanto* discharge the obligation of the Borrower to pay interest on the Loan.

SECTION 6.03. *Time of Delivery of Bonds.* If and as the Bank shall from time to time request, the Borrower shall, as soon as practicable and within such period not less than 60 days after the date of any request therefor as the Bank shall specify in such

request, execute and deliver to or on the order of the Bank Bonds in the aggregate principal amount specified in such request, not exceeding, however, the aggregate principal amount of the Loan which shall have been withdrawn and shall be outstanding at the time of such request and for which Bonds shall not theretofore have been so delivered or requested.

SECTION 6.04. *Interest on Bonds: Service Charge.* The Bonds shall bear interest at such rate or rates as the Bank shall request, not in excess, however, of the rate of interest on the Loan. If the rate of interest on any Bond shall be less than the rate of interest on the Loan, the Borrower shall, in addition to the interest payable on such Bond, pay to the Bank a service charge on the principal amount of the Loan represented by such Bond at a rate equal to the difference between the interest rate on the Loan and the interest rate on such Bond. Such service charge shall be payable on the dates on which and in the currency in which such interest is payable.

SECTION 6.05. *Currency in Which Bonds Are Payable.* The Bonds shall be payable as to principal and interest in the several currencies in which the Loan is repayable. Each Bond delivered pursuant to any request under Section 6.03 shall be payable in such currency as the Bank shall specify in such request except that the aggregate principal amount of Bonds payable in any currency shall at no time exceed the outstanding amount of the Loan repayable in such currency.

SECTION 6.06. *Maturities of Bonds.* The maturities of the Bonds shall correspond to the maturities of instalments of the principal amount of the Loan set forth in the amortization schedule to the Loan Agreement. The Bonds delivered pursuant to any request under Section 6.03 shall have such maturities as the Bank shall specify in such request except that the aggregate principal amount of Bonds of any maturity shall at no time exceed the corresponding instalment of the principal amount of the Loan.

SECTION 6.07. *Form of Bonds.* The Bonds shall be fully registered bonds without coupons (hereinafter sometimes called registered Bonds) or bearer bonds with coupons for semi-annual interest attached (hereinafter sometimes called coupon Bonds). Bonds delivered to the Bank shall be registered Bonds or coupon Bonds as the Bank shall request. Registered Bonds payable in dollars shall be substantially in the form set forth in Schedule 1<sup>1</sup> to these Regulations. Coupon Bonds payable in dollars and the coupons attached thereto shall be substantially in the forms set forth in Schedule 2<sup>2</sup> to these Regulations. Bonds payable in any currency other than dollars shall be substantially in the forms set forth in Schedule 1 or 2 to these Regulations, as the case may be, except that they shall (a) provide for payment of principal, interest and premium on redemption, if any, in such other currency, (b) provide for such place of payment as the Bank shall specify, and (c) contain such other modifications as the Bank shall reasonably request in order to conform to the laws or to the financial usage of the place where they are payable.

<sup>1</sup> See p. 330 of this volume.

<sup>2</sup> See p. 336 of this volume.



SECTION 6.08. *Printing or Engraving of Bonds.* Except as the Bank and the Borrower shall otherwise agree and subject to the provisions of Section 6.11 (c), the Bonds shall be either (a) printed or lithographed on an engraved base having an engraved border or (b) fully engraved in conformity with the requirements of the leading securities exchange in the country in whose currency such Bonds are payable.

SECTION 6.09. *Date of Bonds.* Each registered Bond shall be dated the semi-annual interest payment date on which or next preceding the date on which it shall be executed and delivered. Each coupon Bond shall be dated six months prior to the first semi-annual interest payment date after the Effective Date except as the Bank and the Borrower shall otherwise agree, and shall be delivered with all unmatured coupons attached. Upon any delivery of Bonds appropriate adjustment shall be made so that there shall be no loss to the Bank or to the Borrower in respect of commitment charge or interest and service charge, if any, on the principal amount of the Loan represented by such Bonds.

SECTION 6.10. *Denominations of Bonds.* The Borrower shall authorize the issuance of Bonds in such denominations as the Bank shall reasonably request. The Bonds delivered pursuant to any request under Section 6.03 shall be in such authorized denominations as the Bank shall specify in such request.

SECTION 6.11. *Exchange of Bonds.* The Borrower shall, as soon as practicable after the Bank shall so request, execute and deliver to or on the order of the Bank, in exchange for Bonds theretofore executed and delivered to it, new Bonds in accordance with the following provisions :

- (a) Bonds bearing interest at one rate may be exchanged for Bonds bearing interest at any other rate not in excess of the rate of interest on the Loan. The Bank shall reimburse the Borrower for the reasonable cost of any such exchange.
- (b) Registered Bonds in large denominations may be exchanged without charge to the Bank for registered or coupon Bonds in smaller authorized denominations for purposes of sale by the Bank.
- (c) Bonds initially issued which are not fully engraved in accordance with the provisions of Section 6.08 (b) may be exchanged without charge to the Bank for such fully engraved Bonds.

The foregoing rights of exchange are in addition to any rights of exchange provided in the Bonds. Except as in this Section expressly provided, exchanges of Bonds pursuant to this Section shall be subject to all provisions of the Bonds relating to exchanges.

SECTION 6.12. *Execution of Bonds.* The Bonds shall be signed in the name and on behalf of the Borrower by its authorized representative or representatives designated in the Loan Agreement for the purposes of this Section. The signature of any such

representative may be a facsimile signature if the Bonds are also manually countersigned by an authorized representative of the Borrower. Coupons attached to coupon Bonds shall be authenticated by the facsimile signature of an authorized representative of the Borrower. If any authorized representative of the Borrower whose manual or facsimile signature shall be affixed to any Bond or coupon shall cease to be such authorized representative, such Bond or coupon may nevertheless be delivered, and shall be valid and binding on the Borrower, as though the person whose manual or facsimile signature shall have been affixed to such Bond or coupon had not ceased to be such authorized representative.

SECTION 6.13. *Registration and Transfer of Registered Bonds.* The Borrower shall maintain, or cause to be maintained, books for the registration and transfer of registered Bonds.

SECTION 6.14. *Qualification and Listing of Bonds.* The Borrower shall promptly furnish to the Bank such information and execute such applications and other documents as the Bank shall reasonably request in order to enable the Bank to sell any of the Bonds in any country, or to list any of the Bonds on any securities exchange, in compliance with applicable laws and regulations. To the extent necessary to comply with the requirements of any such exchange, the Borrower shall, if the Bank shall so request, appoint and maintain an agency for authentication of such Bonds.

SECTION 6.15. *Guarantee by the Bank of Payments on Bonds.* If the Bank shall sell any Bond and shall guarantee any payment thereunder, the Borrower shall reimburse the Bank for any amount paid by the Bank under such guarantee by reason of any failure of the Borrower to make payment in accordance with the terms of such Bond.

SECTION 6.16. *Redemption of Bonds.*

(a) The Bonds shall be subject to redemption prior to their maturity by the Borrower in accordance with their terms, at a redemption price equal to the principal amount thereof plus the interest accrued and unpaid thereon to the date fixed for the redemption thereof plus as a premium the percentages of said principal amount specified in the amortization schedule to the Loan Agreement.

(b) If any Bond so to be redeemed shall bear interest at a rate less than the rate of interest on the Loan, the Borrower shall pay to the Bank on the date fixed for redemption the service charge provided for in Section 6.04 accrued and unpaid to such date on the principal amount of the Loan represented by such Bond.

SECTION 6.17. *Rights of Holders of Bonds.* No holder (other than the Bank) of any Bond shall, by virtue of being the holder thereof, be entitled to exercise any rights under the Loan Agreement or be subject to any of the conditions or obligations imposed upon the Bank thereby. The provisions of this Section shall not impair or affect any rights or obligations under the terms of any Bond.

SECTION 6.18. *Delivery of Promissory Notes in Lieu of Bonds.* At the request of the Bank the Borrower shall execute and deliver to the Bank promissory notes in lieu of Bonds. Each note shall be payable to the order of such payee or payees, and at such

place within the country in which the note is payable, as the Bank shall specify, and shall be dated the interest payment date next preceding the date of its delivery. Such note shall be in such customary form as the Bank and the Borrower shall mutually agree upon in order to conform to the laws or financial usage of the place where it is payable. Except as otherwise expressly provided in this Section or where the context otherwise requires, references in these Regulations and the Loan Agreement to Bonds shall include any promissory notes executed and delivered under this Section.

### Article VII

#### ENFORCEABILITY OF LOAN AGREEMENT; FAILURE TO EXERCISE RIGHTS; ARBITRATION

SECTION 7.01. *Enforceability.* The rights and obligations of the Bank and the Borrower under the Loan Agreement and the Bonds shall be valid and enforceable in accordance with their terms notwithstanding the law of any state, or political subdivision thereof, to the contrary. Neither the Bank nor the Borrower shall be entitled in any proceeding under this Article to assert any claim that any provision of these Regulations or the Loan Agreement or the Bonds is invalid or unenforceable because of any provision of the Articles of Agreement of the Bank<sup>1</sup> or for any other reason.

SECTION 7.02. *Failure to Exercise Rights.* No delay in exercising, or omission to exercise, any right, power or remedy accruing to either party under the Loan Agreement upon any default shall impair any such right, power or remedy or be construed to be a waiver thereof or an acquiescence in such default; nor shall the action of such party in respect of any default, or any acquiescence in any default, affect or impair any right, power or remedy of such party in respect of any other or subsequent default.

#### SECTION 7.03. *Arbitration.*

(a) Any controversy between the parties to the Loan Agreement and any claim by either such party against the other arising under the Loan Agreement or the Bonds which shall not be determined by agreement of the parties shall be submitted to arbitration by an Arbitral Tribunal as hereinafter provided.

(b) The parties to such arbitration shall be the Bank and the Borrower.

(c) The Arbitral Tribunal shall consist of three arbitrators appointed as follows: one arbitrator shall be appointed by the Bank; a second arbitrator shall be appointed by the Borrower; and the third arbitrator (hereinafter sometimes called the Umpire) shall be appointed by agreement of the parties or, if they shall not agree, by the President of the International Court of Justice or, failing appointment by him, by the Secretary-General of the United Nations. If either of the parties shall fail to appoint an arbitrator, such arbitrator shall be appointed by the Umpire. In case any arbitrator appointed

<sup>1</sup> United Nations, *Treaty Series*, Vol. 2, p. 134; Vol. 19, p. 300; Vol. 141, p. 356; Vol. 199, p. 309, and Vol. 260, p. 433.

in accordance with this Section shall resign, die or become unable to act, a successor arbitrator shall be appointed in the same manner as herein prescribed for the appointment of the original arbitrator and such successor shall have all the powers and duties of such original arbitrator.

(d) An arbitration proceeding may be instituted under this Section upon notice by the party instituting such proceeding to the other party. Such notice shall contain a statement setting forth the nature of the controversy or claim to be submitted to arbitration, the nature of the relief sought, and the name of the arbitrator appointed by the party instituting such proceeding. Within 30 days after the giving of such notice, the adverse party shall notify the party instituting the proceeding of the name of the arbitrator appointed by such adverse party.

(e) If, within 60 days after the giving of such notice instituting the arbitration proceeding, the parties shall not have agreed upon an Umpire, either party may request the appointment of an Umpire as provided in paragraph (c) of this Section.

(f) The Arbitral Tribunal shall convene at such time and place as shall be fixed by the Umpire. Thereafter, the Arbitral Tribunal shall determine where and when it shall sit.

(g) Subject to the provisions of this Section and except as the parties shall otherwise agree, the Arbitral Tribunal shall decide all questions relating to its competence and shall determine its procedure. All decisions of the Arbitral Tribunal shall be by majority vote.

(h) The Arbitral Tribunal shall afford to all parties a fair hearing and shall render its award in writing. Such award may be rendered by default. An award signed by a majority of the Arbitral Tribunal shall constitute the award of such Tribunal. A signed counterpart of the award shall be transmitted to each party. Any such award rendered in accordance with the provisions of this Section shall be final and binding upon the parties to the Loan Agreement. Each party shall abide by and comply with any such award rendered by the Arbitral Tribunal in accordance with the provisions of this Section.

(i) The parties shall fix the amount of the remuneration of the arbitrators and such other persons as shall be required for the conduct of the arbitration proceedings. If the parties shall not agree on such amount before the Arbitral Tribunal shall convene, the Arbitral Tribunal shall fix such amount as shall be reasonable under the circumstances. Each party shall defray its own expenses in the arbitration proceedings. The costs of the Arbitral Tribunal shall be divided and borne equally by the parties. Any question concerning the division of the costs of the Arbitral Tribunal or the procedure for payment of such costs shall be determined by the Arbitral Tribunal.

(j) The provisions for arbitration set forth in this Section shall be in lieu of any other procedure for the determination of controversies between the parties to the Loan Agreement and any claim by either party against the other party arising thereunder or under the Bonds.

(k) The Bank shall not be entitled to enter judgment against the Borrower upon the award, to enforce the award against the Borrower by execution or to pursue any other remedy against the Borrower for the enforcement of the award, except as such procedure may be available against the Borrower otherwise than by reason of the provisions

of this Section. If, within 30 days after counterparts of the award shall be delivered to the parties, the award shall not be complied with by the Bank, the Borrower may take any such action for the enforcement of the award against the Bank.

(l) Service of any notice or process in connection with any proceeding under this Section or (to the extent that such remedy shall be available) in connection with any proceeding to enforce any award rendered pursuant to this Section may be made in the manner provided in Section 8.01. The parties to the Loan Agreement waive any and all other requirements for the service of any such notice or process.

### Article VIII

#### MISCELLANEOUS PROVISIONS

SECTION 8.01. *Notices and Requests.* Any notice or request required or permitted to be given or made under the Loan Agreement and any agreement between the parties contemplated by the Loan Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable or radiogram to the party to which it is required or permitted to be given or made at such party's address specified in the Loan Agreement, or at such other address as such party shall have designated by notice to the party giving such notice or making such request.

SECTION 8.02. *Evidence of Authority.* The Borrower shall furnish to the Bank sufficient evidence of the authority of the person or persons who will sign the applications provided for in Article IV and the Bonds or who will, on behalf of the Borrower, take any other action or execute any other documents required or permitted to be taken or executed by the Borrower under the Loan Agreement, and the authenticated specimen signature of each such person.

SECTION 8.03. *Action on Behalf of Borrower.* Any action required or permitted to be taken, and any documents required or permitted to be executed, under the Loan Agreement on behalf of the Borrower may be taken or executed by the representative of the Borrower designated in the Loan Agreement for the purposes of this Section or any person thereunto authorized in writing by him. Any modification or amplification of the provisions of the Loan Agreement may be agreed to on behalf of the Borrower by written instrument executed on behalf of the Borrower by the representative so designated or any person thereunto authorized in writing by him; provided that, in the opinion of such representative, such modification or amplification is reasonable in the circumstances and will not substantially increase the obligations of the Borrower under the Loan Agreement. The Bank may accept the execution by such representative or other person of any such instrument as conclusive evidence that in the opinion of such representative any modification or amplification of the provisions of the Loan Agreement effected by such instrument is reasonable in the circumstances and will not substantially increase the obligations of the Borrower thereunder.

SECTION 8.04. *Execution in Counterparts.* The Loan Agreement may be executed in several counterparts, each of which shall be an original. All such counterparts shall collectively be but one instrument.

#### Article IX

##### EFFECTIVE DATE; TERMINATION

SECTION 9.01. *Conditions Precedent to Effectiveness of Loan Agreement.* The Loan Agreement shall not become effective until evidence satisfactory to the Bank shall have been furnished to the Bank that

(a) the execution and delivery of the Loan Agreement on behalf of the Borrower have been duly authorized or ratified by all necessary governmental action, and

(b) all other events specified in the Loan Agreement as conditions to its effectiveness have occurred.

SECTION 9.02. *Legal Opinions.* As part of the evidence to be furnished pursuant to Section 9.01, the Borrower shall furnish to the Bank an opinion or opinions satisfactory to the Bank of counsel acceptable to the Bank showing :

(a) that the Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and constitutes a valid and binding obligation of the Borrower in accordance with its terms;

(b) that the Bonds when executed and delivered in accordance with the Loan Agreement will constitute valid and binding obligations of the Borrower in accordance with their terms and that, except as stated in such opinion, no further signatures or formalities are required for that purpose; and

(c) such other matters as shall be specified in the Loan Agreement.

SECTION 9.03. *Effective Date.* Except as shall be otherwise agreed by the Bank and the Borrower, the Loan Agreement shall come into force and effect on the date when the Bank notifies the Borrower of its acceptance of the evidence required by Section 9.01.

SECTION 9.04. *Termination of Loan Agreement for Delay in Becoming Effective.* If all acts required to be performed pursuant to Section 9.01 shall not have been performed before the date specified in the Loan Agreement for the purposes of this Section or such other date as shall be agreed upon by the Bank and the Borrower, the Bank may at any time thereafter at its option terminate the Loan Agreement by notice to the Borrower. Upon the giving of such notice the Loan Agreement and all obligations of the parties thereunder shall forthwith terminate.

SECTION 9.05. *Termination of Loan Agreement on Full Payment.* If and when the entire principal amount of the Loan and the Bonds and the premium, if any, on the prepayment of the Loan and on the redemption of all Bonds called for redemption (as the case may be) and all interest and other charges which shall have accrued on the Loan and the Bonds shall have been paid, the Loan Agreement and all obligations of the parties thereunder shall forthwith terminate.

*Article X*

## DEFINITIONS; HEADINGS

SECTION 10.01. *Definitions.* Except where the context otherwise requires, the following terms have the following meanings wherever used in these Regulations or any Schedule hereto or in a loan agreement to which these Regulations have been made applicable :

1. The term " Bank " means International Bank for Reconstruction and Development.
2. The term " member " means a member of the Bank.
3. The term " Loan Agreement " means the particular loan agreement to which these Regulations shall have been made applicable, as amended from time to time; and such term includes all agreements supplemental to the Loan Agreement and all schedules to the Loan Agreement.
4. The term " Loan " means the loan provided for in the Loan Agreement.
5. The term " Borrower " means the member of the Bank to which the Loan is made.
6. The term " United States " means the United States of America.
7. The term " currency " means such coin or currency as at the time referred to is legal tender for the payment of public and private debts in the territories of the government referred to, whether or not such government is a member. Whenever reference is made to the currency of the Borrower, the term " currency " includes the currencies of all colonies and territories on whose behalf at the time referred to the Borrower has accepted membership in the Bank.
8. The term " dollars " and the sign " \$ " mean dollars in currency of the United States.
9. The term " Bonds " means bonds executed and delivered by the Borrower pursuant to the Loan Agreement; and such term includes any such bonds issued in exchange for, or on transfer of, Bonds as herein defined.
10. The term " Loan Account " means the account on the books of the Bank to which the amount of the Loan is to be credited as provided in Section 2.01.
11. The term " Project " means the project or projects or program or programs for which the Loan is granted, as described in the Loan Agreement and as the description thereof shall be amended from time to time by agreement between the Bank and the Borrower.
12. The term " goods " means equipment, supplies and services 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 Borrower.
13. The term " external debt " means any debt payable in any medium other than currency of the Borrower, whether such debt is payable absolutely or at the option of the creditor in such other medium.

14. The term "Closing Date" means the date specified in the Loan Agreement as the Closing Date, or such other date as shall be agreed upon by the Bank and the Borrower as the Closing Date.

15. The term "Effective Date" means the date on which the Loan Agreement shall come into force and effect as provided in Section 9.03.

16. The term "lien" shall include mortgages, pledges, charges, privileges and priorities of any kind.

17. The term "assets" shall include revenues and property of any kind.

18. The terms "tax" and "taxes" shall include imposts, duties and levies of any kind, whether in effect at the date of the Loan Agreement or thereafter imposed.

19. Wherever reference is made to the incurring of debt such reference shall include the assumption and guarantee of debt.

References in these Regulations to Articles or Sections are to Articles of Sections of these Regulations; references in a Loan Agreement to Articles or Sections are to Articles or Sections of such Loan Agreement.

SECTION 10.02. *Headings.* The headings of the Articles and Sections and the Table of Contents<sup>1</sup> are inserted for convenience of reference only and are not a part of these Regulations.

## SCHEDULE 1

### FORM OF REGISTERED BOND WITHOUT COUPONS PAYABLE IN DOLLARS

\$ 000	\$ 000
No. 000	No. 000

[NAME OF BORROWER]

Serial Bond due

[NAME OF BORROWER] (hereinafter called [the Borrower]), for value received, hereby promises to pay to \_\_\_\_\_, or registered assigns, on the \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, at the office or agency of [the Borrower] in the Borough of Manhattan, in The City of New York, the sum of \_\_\_\_\_ DOLLARS in such coin or currency of the United States of America as at the time of payment is legal tender for public and private debts, and to pay interest thereon from the date hereof at said office or agency in like coin or currency at the rate of \_\_\_\_\_ per centum ( \_\_\_\_\_ %) per annum,

<sup>1</sup> Not published.



payable semi-annually on \_\_\_\_\_ and \_\_\_\_\_ until payment of said principal sum has been made or duly provided for.

This Bond is one of an authorized issue of bonds of the aggregate principal amount of \_\_\_\_\_ (or the equivalent thereof payable in other currencies), known as the Serial Bonds of [the Borrower] (hereinafter called the Bonds), issued or to be issued under a Loan Agreement dated \_\_\_\_\_ between [the Borrower] and International Bank for Reconstruction and Development (hereinafter called the Bank). No reference herein to the Loan Agreement shall confer upon the holder hereof any rights thereunder or impair the obligation of [the Borrower], which is absolute and unconditional, to pay the principal and interest on this Bond at the times and place and in the amounts and in the currency herein prescribed.

This Bond is transferable by the registered holder hereof, or by his attorney duly authorized in writing, at said office or agency of [the Borrower] in the Borough of Manhattan, upon payment, if [the Borrower] shall so require, of a charge calculated to reimburse [the Borrower] for the cost of the transfer and upon surrender of this Bond for cancellation, duly endorsed or accompanied by a proper instrument or instruments of assignment and transfer. Upon any such transfer a new fully registered Bond or Bonds, without coupons, of authorized denominations, of the same maturity and in the same aggregate principal amount, will be issued to the transferee in exchange for this Bond.

Upon payment, if [the Borrower] shall so require, of a charge calculated to reimburse [the Borrower] for the cost of the exchange (1) bearer Bonds with interest coupons attached (hereinafter called coupon Bonds) of any maturity, together with all unmatured coupons thereto appertaining, may be exchanged upon presentation and surrender thereof at said office or agency in the Borough of Manhattan for coupon Bonds of other authorized denominations with all unmatured coupons thereto appertaining, or for fully registered Bonds without coupons (hereinafter called registered Bonds) of any authorized denominations, or both, of the same maturity and in the same aggregate principal amount; and (2) registered Bonds of any maturity may be exchanged upon presentation and surrender at said office or agency, duly endorsed or accompanied by a proper instrument or instruments of assignment and transfer, for registered Bonds of other authorized denominations or for coupon Bonds of any authorized denominations with all unmatured coupons there to appertaining, or both, of the same maturity and in the same aggregate principal amount.

[The Borrower] shall not be required to make transfers or exchanges of any Bonds for a period of ten days next preceding any interest payment date thereof or of any Bonds called for redemption.

The Bonds are subject to redemption at the election of [the Borrower], as hereinafter provided, at a redemption price for each Bond equal to the principal amount thereof, plus the interest accrued and unpaid thereon to the date fixed for the redemption thereof, plus as a premium the following respective percentages of such principal amount : [insert percentages set forth in the amortization schedule to the Loan Agreement]. All the Bonds at the time outstanding may be so redeemed at any time. All the Bonds at the time outstanding of any one or more maturities may be so redeemed at any time, provided

that, at the date fixed for the redemption of such Bonds, there shall not be outstanding any Bonds maturing after the Bonds to be redeemed. If [the Borrower] shall elect to redeem Bonds it shall give notice of intention to redeem all the Bonds, or all the Bonds of one or more designated maturities as hereinabove provided, as the case may be. Such notice shall designate the redemption date and shall state the redemption price or prices, determined as hereinbefore provided. Such notice shall be given by publication in two daily newspapers printed in the English language and published and of general circulation in said Borough of Manhattan at least once a week for three successive weeks, the first publication to be not less than 45 nor more than 60 days prior to said redemption date. Notice of election to redeem having been given as above provided, the Bonds so called for redemption shall become due and payable on said redemption date at their redemption price or prices, and upon presentation and surrender thereof on or after such date at said office or agency in said Borough of Manhattan, together with any appurtenant coupons maturing after said redemption date, shall be paid at the redemption price or prices aforesaid. All unpaid interest instalments represented by coupons which shall have matured on or prior to said redemption date shall continue to be payable to the bearers of such coupons severally and respectively, and the redemption price payable to the holders of coupon Bonds presented for redemption shall not include such unpaid instalments of interest unless coupons representing such instalments shall accompany the Bonds presented for redemption. From and after said redemption date, if payment is made or duly provided for pursuant thereto, the Bonds so called for redemption shall cease to bear interest and any appurtenant coupons maturing after said redemption date shall be void.

In certain events provided in said Loan Agreement, the Bank, at its option, may declare the principal of all the Bonds then outstanding (if not already due) to be due and payable immediately, and upon any such declaration such principal shall be due and payable immediately.

The principal of the Bonds, the interest accruing thereon and the premium, if any, on the redemption thereof shall be paid without deduction for and free from any taxes, imposts, levies or duties of any nature or any restrictions now or at any time hereafter imposed under the laws of [the Borrower] or laws in effect in its territories; *provided, however, that the provisions of this paragraph shall not apply to the taxation of payments made under the provisions of 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 Borrower] may deem and treat the bearer of any coupon Bond, and the bearer of any coupon for interest on any Bond, and the registered owner of any registered Bond, as the absolute owner thereof for all purposes whatsoever notwithstanding any notice to the contrary; and all payments to such bearer or to or on the order of such registered owner, as the case may be, shall be valid and effectual to discharge the liability of [the Borrower] upon such coupon Bond, such coupon or such registered Bond to the extent of the sum or sums so paid.*

*This Bond shall not be valid or become obligatory for any purpose until it shall have been [insert appropriate reference to authentication, signature or attestation].*

IN WITNESS WHEREOF [the Borrower] has caused this Bond to be signed in its name by [here insert reference to official or officials signing Bonds, to countersignatures, attestation and seal, if used, and, if any signature is a facsimile signature, make reference thereto].

[Signature, attestation, authentication, as may be appropriate]

Dated

*Note:* Italicized provisions may be omitted if Borrower desires.

#### FORM OF ASSIGNMENT AND TRANSFER

FOR VALUE RECEIVED  
hereby sell, assign and transfer unto

the within Bond issued by [NAME OF BORROWER] and hereby irrevocably authorize said [Borrower] to transfer said Bond on its books.

Dated

Witness :

#### SCHEDULE 2

#### FORM OF COUPON BOND PAYABLE IN DOLLARS

\$ 000

No. 000

\$ 000

No. 000

[NAME OF BORROWER]

Serial Bond due

[NAME OF BORROWER] (hereinafter called [the Borrower]), for value received, hereby promises to pay to the bearer hereof, on the        day of        , 19        , at the office or agency of [the Borrower] in the Borough of Manhattan, in The City of New York, the sum of        DOLLARS in such coin or currency of the United States of America as at the time of payment is legal tender for public and private debts, and to pay interest thereon from the date hereof at said office or agency in like coin or currency at the rate of        per centum (        %) per annum, payable semi-annually on        and        until payment of said principal sum has been made or duly provided for, but until the maturity hereof only upon presentation and surrender of the coupons hereto attached as they severally mature.

This Bond is one of an authorized issue of bonds of the aggregate principal amount of        (or the equivalent thereof payable in other currencies), known as the Serial Bonds of [the Borrower] (hereinafter called the Bonds), issued or to be issued

under a Loan Agreement dated \_\_\_\_\_ between [the Borrower] and International Bank for Reconstruction and Development (hereinafter called the Bank). No reference herein to the Loan Agreement shall confer upon the holder hereof any rights thereunder or impair the obligation of [the Borrower], which is absolute and unconditional, to pay the principal and interest on this Bond at the times and place and in the amounts and in the currency herein prescribed.

Upon payment, if [the Borrower] shall so require, of a charge calculated to reimburse [the Borrower] for the cost of the exchange (1) bearer Bonds with interest coupons attached (hereinafter called coupon Bonds) of any maturity, together with all unmatured coupons thereto appertaining, may be exchanged upon presentation and surrender thereof at said office or agency in the Borough of Manhattan for coupon Bonds of other authorized denominations with all unmatured coupons thereto appertaining, or for fully registered Bonds without coupons (hereinafter called registered Bonds) of any authorized denominations, or both, of the same maturity and in the same aggregate principal amount; and (2) registered Bonds of any maturity may be exchanged upon presentation and surrender at said office or agency, duly endorsed or accompanied by a proper instrument or instruments of assignment and transfer, for registered Bonds of other authorized denominations or for coupon Bonds of any authorized denominations with all unmatured coupons thereto appertaining, or both, of the same maturity and in the same aggregate principal amount.

[The Borrower] shall not be required to make transfers or exchanges of any Bonds for a period of ten days next preceding any interest payment date thereof or of any Bonds called for redemption.

The Bonds are subject to redemption at the election of [the Borrower], as hereinafter provided, at a redemption price for each Bond equal to the principal amount thereof, plus the interest accrued and unpaid thereon to the date fixed for the redemption thereof, plus as a premium the following respective percentages of such principal amount: [insert percentages set forth in the amortization schedule to the Loan Agreement]. All the Bonds at the time outstanding may be so redeemed at any time. All the Bonds at the time outstanding of any one or more maturities may be so redeemed at any time, provided that, at the date fixed for the redemption of such Bonds, there shall not be outstanding any Bonds maturing after the Bonds to be redeemed. If [the Borrower] shall elect to redeem Bonds it shall give notice of intention to redeem all the Bonds, or all the Bonds of one or more designated maturities as hereinabove provided, as the case may be. Such notice shall designate the redemption date and shall state the redemption price or prices, determined as hereinbefore provided. Such notice shall be given by publication in two daily newspapers printed in the English language and published and of general circulation in said Borough of Manhattan at last once a week for three successive weeks, the first publication to be not less than 45 nor more than 60 days prior to said redemption date. Notice of election to redeem having been given as above provided, the Bonds so called for redemption shall become due and payable on said redemption date at their redemption price or prices, and upon presentation and surrender thereof on or after such date at said office or agency in said Borough of Manhattan, together with any appurtenant coupons maturing after said redemption date, shall be paid at the

redemption price or prices aforesaid. All unpaid interest instalments represented by coupons which shall have matured on or prior to said redemption date shall continue to be payable to the bearers of such coupons severally and respectively, and the redemption price payable to the holders of coupon Bonds presented for redemption shall not include such unpaid instalments of interest unless coupons representing such instalments shall accompany the Bonds presented for redemption. From and after said redemption date, if payment is made or duly provided for pursuant thereto, the Bonds so called for redemption shall cease to bear interest and any appurtenant coupons maturing after said redemption date shall be void.

In certain events provided in said Loan Agreement, the Bank, at its option, may declare the principal of all the Bonds then outstanding (if not already due) to be due and payable immediately, and upon any such declaration such principal shall be due and payable immediately.

The principal of the Bonds, the interest accruing thereon and the premium, if any, on the redemption thereof shall be paid without deduction for and free from any taxes, imposts, levies or duties of any nature or any restrictions now or at any time hereafter imposed under the laws of [the Borrower] or laws in effect in its territories; *provided, however, that the provisions of this paragraph shall not apply to the taxation of payments made under the provisions of 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 Borrower] may deem and treat the bearer of any coupon Bond, and the bearer of any coupon for interest on any Bond, and the registered owner of any registered Bond, as the absolute owner thereof for all purposes whatsoever notwithstanding any notice to the contrary; and all payments to such bearer or to or on the order of such registered owner, as the case may be, shall be valid and effectual to discharge the liability of [the Borrower] upon such coupon Bond, such coupon or such registered Bond to the extent of the sum or sums so paid.*

*This Bond shall not be valid or become obligatory for any purpose until it shall have been [insert appropriate reference to authentication, signature or attestation].*

IN WITNESS WHEREOF [the Borrower] has caused this Bond to be signed in its name by [here insert reference to official or officials signing Bonds, to countersignatures, attestation and seal, if used, and, if any signature is a facsimile signature, make reference thereto] and the coupons for said interest bearing the facsimile signature of its [insert title or name of official] to be attached hereto.

[Signature, attestation,  
authentication, as may  
be appropriate]

Dated

*Note: Italicized provisions may be omitted if Borrower desires.*

## FORM OF COUPON

On the            day of            , 19            , unless the Bond mentioned below shall have been called for previous redemption and payment duly provided therefor, [NAME OF BORROWER] will pay to bearer, upon surrender of this coupon, at the office or agency of said [Borrower] in the Borough of Manhattan in The City of New York            dollars in such coin or currency of the United States of America as at the time of payment is legal tender for public and private debts, being six months' interest then due on its Serial Bond, No.            due

[facsimile signature]