

No. 4600

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

**Loan Agreement—*Seven Year Plan Loan* (with annexed
Loan Regulations No. 3). Signed at Washington, on
22 January 1957**

Official text: English.

*Registered by the International Bank for Reconstruction and Development on
18 December 1958.*

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

**Contrat d'emprunt — *Emprunt du Plan septennal* (avec,
en annexe, le Règlement n° 3 sur les emprunts). Signé
à Washington, le 22 janvier 1957**

Texte officiel anglais.

*Enregistré par la Banque internationale pour la reconstruction et le développement
le 18 décembre 1958.*

No. 4600. LOAN AGREEMENT¹ (*SEVEN YEAR PLAN LOAN*)
BETWEEN IRAN AND THE INTERNATIONAL BANK
FOR RECONSTRUCTION AND DEVELOPMENT. SIGN-
ED AT WASHINGTON, ON 22 JANUARY 1957

AGREEMENT, dated January 22, 1957, between IRAN (hereinafter some-
times called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND
DEVELOPMENT (hereinafter called the Bank).

WHEREAS the Borrower has undertaken a second seven year program for
the economic and social development of Iran and has allocated for the carrying
out of that program a substantial part of the total revenues to be derived by it
in respect of the production, refining and sale of oil to be produced in the
southern Iranian oilfields pursuant to the Agreement, dated October 29, 1954,
between Iran and the National Iranian Oil Company as parties of the first part
and various oil companies as parties of the second and third parts (said Agree-
ment being hereinafter called the Oil Agreement);

WHEREAS the amount of said revenues so allocated will during the early
years of the program be insufficient to cover the expenditures contemplated
for the program for those years, but the deficiency is expected to be made up in
the remaining years of the program;

WHEREAS the Government of Iran has by law been authorized to borrow
for the purpose of financing the deficiency in anticipation of such later revenues;
and

WHEREAS the Bank has agreed to lend for such purpose the equivalent of
seventy-five million dollars (\$75,000,000).

NOW THEREFORE, the parties hereto hereby agree as follows :

Article I

LOAN REGULATIONS; SPECIAL DEFINITIONS

Section 1.01. The parties to this Loan Agreement accept all the provisions
of Loan Regulations No. 3 of the Bank dated June 15, 1956,² subject, however,
to the modifications thereof set forth in Schedule 2³ to this Agreement (said
Loan Regulations No. 3 as so modified being hereinafter called the Loan

¹ Came into force on 19 February 1957, upon notification by the Bank to the Government of
Iran.

² See p. 150 of this volume.

³ See p. 148 of this volume.

Regulations), with the same force and effect as if they were fully set forth herein.

Section 1.02. Except where the context otherwise requires, the following terms have the following meanings wherever used in this Agreement or any Schedule hereto :

(1) The term "Plan Law" means the Law of Iran of 8 Esfand 1334 (February 27, 1956), providing for the Second Seven Year Development Plan of the Borrower, together with any amendment or amendments thereof.

(2) The term "Plan" means the Second Seven Year Development Plan of the Borrower provided for in the Plan Law.

(3) The term "Plan Organization" means the Plan Organization charged by the Plan Law with the execution of the Plan, and shall include any successor organization, agency or department.

(4) The term "Plan expenditures" shall for any period mean amounts disbursed by the Plan Organization during such period in accordance with the Plan Law for the carrying out of the Plan.

(5) The term "Plan receipts" shall for any period mean amounts (other than the proceeds of the Loan) received by or credited to the Plan Organization during such period and available to it for the carrying out of the Plan.

(6) The term "Plan Oil Revenues" means that part of the total oil revenues (including without limitation payments to the National Iranian Oil Company under the Oil Agreement and income tax) which shall be paid to or for the benefit of the Borrower (including those credited or to be credited by law to the Plan Organization and the National Iranian Oil Company) as a result of or in respect of the production, refining or sale of oil produced pursuant to the Oil Agreement and which shall be allocated or available by law to the Plan Organization for the carrying out of the Plan.

(7) The term "debt service period" shall mean each of the six-month periods commencing on March 16th and September 16th in each year beginning with 1957, and shall also include the period from the date of this Agreement to March 15, 1957.

(8) The term "this Agreement" shall include the Loan Regulations.

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 seventy-five million dollars (\$75,000,000).

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, this Agreement.

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.

Section 2.04. The Borrower shall pay interest at the rate of five per cent (5%) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

Section 2.05. Interest and other charges shall be payable semi-annually on March 15th and September 15th in each year.

Section 2.06. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 1¹ to this Agreement.

Section 2.07. The obligation of the Borrower to pay the principal of, and interest and other charges on, the Loan and the Bonds shall be general and not limited or restricted in any way to any particular fund or funds, or source or sources of payment, by any other provisions of this Agreement or otherwise.

Article III

PURPOSE OF THE LOAN

Section 3.01. The purpose of the Loan is to provide the temporary financing required by the Plan Organization to carry out, during the early years of the Plan, programs and projects which would otherwise be delayed in whole or in part solely because the necessary funds therefor would not be available to the Plan Organization until later in the seven year period provided for the carrying out of the Plan. To that end the Loan will be used to cover the excess as it arises of Plan expenditures over Plan receipts in the period from August 21, 1956 to March 20, 1958, or such other dates as may be agreed upon between the Bank and the Borrower.

Article IV

WITHDRAWAL OF THE PROCEEDS OF THE LOAN

Section 4.01. The Borrower shall be entitled, subject to the provisions of this Agreement, to withdraw from the Loan Account, from time to time, in dollars or such other currencies (except currency of the Borrower) as may be

¹ See p. 146 of this volume.

agreed upon between the Borrower and the Bank, the equivalent of such amounts as shall be required for the purpose of the Loan, provided that in determining any excess of Plan expenditures over Plan receipts for the purposes of this Section 4.01 there shall not be taken into account, except as the Borrower and the Bank may otherwise agree pursuant to Section 6.02 of this Agreement, any Plan expenditures during any period specified in said Section 6.02 in excess of the amount therein specified for that period. The Borrower and the Bank may make arrangements for advances on account of the withdrawals herein provided for, and shall from time to time agree with respect to items which should be included in or excluded from Plan expenditures or Plan receipts for the purposes of this Agreement.

Article V

BONDS

Section 5.01. The Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in the Loan Regulations.

Section 5.02. 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 VI

PARTICULAR COVENANTS

Section 6.01. (a) The Borrower shall take or cause to be taken all appropriate action to promote the efficient carrying out of the Plan.

(b) The Borrower shall maintain, or cause to be maintained, books, accounts and records adequate to show Plan receipts and expenditures and the progress of the Plan; shall at the request of the Bank enable, or take such steps as shall be necessary to enable, the Bank's accredited representatives to examine the sites, works and construction included in the Plan, the operation thereof, and any relevant records and documents; and shall furnish to the Bank all such information as the Bank shall reasonably request concerning the Plan and the operation thereof, and Plan receipts and expenditures.

Section 6.02. The Plan Organization and the Bank agree on the importance of the appropriate scheduling of Plan expenditures in order to achieve most efficiently and expeditiously the purposes of the Plan. The Borrower undertakes that Plan expenditures shall not exceed the equivalent of the follow-

ing amounts for the following periods: \$70,000,000 for the period from August 21, 1956 to March 20, 1957; \$65,000,000 for the period from March 21, 1957 to September 20, 1957; and \$70,000,000 for the period from September 21, 1957 to March 20, 1958; however, the Borrower and the Bank recognize that circumstances may indicate that a higher level of expenditures would be reasonable and appropriate and the Bank and the Plan Organization will from time to time review the progress of the Plan and may from time to time agree that additional Plan expenditures in defined amounts would be reasonable and appropriate in the light of (a) the need for maintaining a properly balanced expenditure pattern for the seven years of the Plan as a whole, (b) the soundness of the projects on which the additional expenditures are to be made, and (c) the suitability of the arrangements for the execution of such projects and the capacity of the Plan Organization to bear the additional administrative burdens involved.

Section 6.03. The Borrower further undertakes that, except as the Borrower and the Bank may otherwise agree, neither the Plan Organization nor the Borrower shall, prior to March 20, 1958 or such other date as may be agreed for the purposes of Section 3.01, incur any debt other than the Loan for the purposes of the Plan, and after such date, if the Borrower or the Plan Organization shall propose to incur such debt they shall inform the Bank of such proposal and before the proposed action is taken shall afford the Bank all opportunity which is reasonably practicable in the circumstances to exchange views with the Borrower and the Plan Organization with respect thereto. For the purposes of this Section, debt shall be deemed to include, without limitation, borrowings from any source, suppliers' credits (other than normal commercial current accounts) and any substantial volume of obligations which are due and unpaid.

Section 6.04. (a) The Borrower shall make arrangements, satisfactory to the Bank, for setting aside the Plan Oil Revenues, as received or credited to or for the benefit of the Borrower or the Plan Organization or otherwise, for the payment of the principal of, and interest and other charges on, the Loan and the Bonds. Such arrangements when approved by the Bank, shall not be changed without the prior approval of the Bank.

(b) The Borrower agrees that it will not, without the consent of the Bank, take, or permit or consent to be taken, any action which could or might prevent or interfere with the implementation of such arrangements or the payment in full from the Plan Oil Revenues of the principal of, and interest and other charges on, the Loan and the Bonds as they become due, including without limitation any action which would result in the revenues subject to the arrangements approved by the Bank pursuant to paragraph (a) of this Section being insufficient

during any debt service period to pay the principal of, and interest and other charges on, the Loan and the Bonds payable at the end of such period.

(c) The Borrower further agrees that it will not permit or consent to any use or disposition of the Plan Oil Revenues except for the purposes provided in the Plan Law, including any future amendment or amendments thereof.

Section 6.05. (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 or the implementation of the arrangements provided for in Section 6.04 (a).

(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 6.06. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid without deduction for, and free from, any taxes or fees imposed under the laws of the Borrower or laws in effect in its territories; provided, however, that the provisions of this Section shall not apply to taxation of, or fees upon, payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Borrower.

Section 6.07. The Loan Agreement and the Bonds shall be free from any taxes or fees that shall be imposed under the laws of the Borrower or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof and the Borrower shall pay all such taxes and fees, if any, imposed under the laws of the country or countries in whose currency the Loan and the Bonds are payable or laws in effect in the territories of such country or countries.

Section 6.08. 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.

Article VII

REMEDIES OF THE BANK

Section 7.01. (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.

Article VIII

EFFECTIVE DATE; TERMINATION

Section 8.01. The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 9.01 (b) of the Loan Regulations :

The Borrower shall have made, or caused to be made, and the Bank shall have approved, the arrangements provided for in Section 6.04 (a) of the Loan Agreement.

Section 8.02. The following are specified as additional matters, within the meaning of Section 9.02 (c) of the Loan Regulations, to be included in the opinion or opinions to be furnished to the Bank :

That the arrangements approved by the Bank pursuant to Section 6.04 (a) of the Loan Agreement are valid.

Section 8.03. A date 60 days after the date of this Agreement is hereby specified for the purposes of Section 9.04 of the Loan Regulations.

Article IX

MISCELLANEOUS

Section 9.01. The Closing Date shall be June 30, 1958.

Section 9.02. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Borrower :

Plan Organization
Teheran
Iran

Alternative cable address :

Barnameh
Teheran, Iran

For the Bank :

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

Alternative cable address :

Intbafrad
Washington, D. C.

Section 9.03. (a) Until the Bank shall be otherwise notified by the Borrower any notice or request required or permitted to be given or made by the Bank to the Borrower pursuant to the provisions of this Agreement or of the Bonds shall be deemed to have been duly given or made if it is given or made to the Plan Organization at the address specified in Section 9.02 of this Agreement.

(b) The Managing Director of the Plan Organization and such person or persons as he shall nominate for the purpose are and each of them severally is hereby designated by the Borrower to sign the applications and requests and furnish the supporting documentation provided for in Article IV of this Agreement and of the Loan Regulations and to take any other action or execute any other documents required or permitted to be taken or executed by the Plan Organization pursuant to this Agreement and the Bank shall be entitled to rely exclusively on any such action or execution.

Section 9.04. Without prejudice to the provisions of Section 9.03 hereof the Minister of Finance of the Borrower and the Managing Director of the Plan Organization are, and each of them separately is, designated for the purposes of Section 8.03 of the Loan Regulations.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

Iran :

By Dr. A. AMINI
Authorized Representative

International Bank for Reconstruction and Development :

By W. A. B. ILIFF
Vice President

SCHEDULE 1

AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars) *</i>	<i>Principal Amount Outstanding After Each Payment (expressed in dollars) *</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars) *</i>	<i>Principal Amount Outstanding After Each Payment (expressed in dollars) *</i>
March 15, 1959	—	\$75,000,000	March 15, 1961	\$10,701,000	\$33,736,000
September 15, 1959 \$ 9,937,000		65,063,000	September 15, 1961 10,969,000		22,767,000
March 15, 1960	10,186,000	54,877,000	March 15, 1962	11,243,000	11,524,000
September 15, 1960 10,440,000		44,437,000	September 15, 1962 11,524,000		—

* 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 one year before maturity	1/4%
More than one year and not more than two years before maturity	1%
More than two years and not more than three years before maturity	2%
More than three years and not more than four years before maturity	3%
More than four years before maturity	4 3/4%

SCHEDULE 2

MODIFICATIONS OF THE LOAN REGULATIONS

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) The following new paragraph (d) is added to Section 2.05 :

“(d) Notwithstanding any other provisions of this Section the Borrower may at any time within six months before any maturity date specified in said amortization schedule pay, without any premium on prepayment, the entire principal amount of the Loan payable on that maturity date together with interest to the date of such payment and upon such payment interest shall cease to accrue upon the principal amount so paid.”

(b) The first two sentences of Section 3.01 are deleted.

(c) Section 3.05 is amended to read as follows :

“SECTION 3.05. *Valuation of Currencies.* Whenever it shall be necessary for the purposes of this Agreement to value one currency in terms of another currency, such value shall be as reasonably determined by the Bank.”

(d) Section 4.01 is amended by deleting the first sentence and that part of the second sentence commencing with “(a)” and ending with “or (c)”.

(e) Section 4.02 is deleted.

(f) Section 4.03 is amended to read as follows :

“SECTION 4.03. *Applications for Withdrawal.* When the Borrower shall desire to withdraw any amount from the Loan Account, 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. The Bank shall be entitled, but shall not be required, to rely upon any statement or certification made in or in support of any withdrawal application and shall be fully protected in so doing.”

(g) Section 5.04 is deleted.

(h) Section 6.07 is amended by adding the following sentence at the end thereof :

“The foregoing provisions of this Section are subject to the provisions of paragraph (c) of Section 6.16.”

(i) Section 6.16 is amended by adding the following new paragraph :

“(c) Notwithstanding any other provision of this Section the Borrower may at any time within six months before the maturity date of any Bond pay, without any premium on redemption, the entire principal amount of the Loan maturing on that date together with interest accrued thereon to the date of such payment and upon such payment interest shall cease to accrue upon such Bond. An appropriate provision to this effect shall be inserted in the Bonds.”

(j) Paragraphs 11 and 12 of Section 10.01 are deleted.

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

[Not published herein. See United Nations, Treaty Series, Vol. 280, p. 302.]