

No. 4733

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

Loan Agreement—*Power Projects* (with annexed Loan Regulations No. 3 and related letter). Signed at New York, on 4 February 1959

Official text: English.

Registered by the International Bank for Reconstruction and Development on 22 May 1959.

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

Contrat d'emprunt — *Projets relatifs à l'énergie* (avec, en annexe, le Règlement n° 3 sur les emprunts et une lettre connexe). Signé à New-York, le 4 février 1959

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 22 mai 1959.

No. 4733. LOAN AGREEMENT¹ (*POWER PROJECTS*) BETWEEN THE KINGDOM OF DENMARK AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT NEW YORK, ON 4 FEBRUARY 1959

AGREEMENT, dated February 4, 1959, between KINGDOM OF DENMARK (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS

(1) the Borrower desires assistance in financing capital expenditures in various sectors of the Danish economy;

(2) the Borrower intends to sell an issue of its bonds in the markets of the United States of America; and

(3) the Bank has agreed to supply a portion of the funds required in the electric power sector;

NOW THEREFORE it is hereby agreed 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 3³ 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.

Section 1.02. Unless the context shall otherwise require, the following terms shall have the following meanings :

- (a) "Beneficiary" means Elektricitetsselskabet Isefjordvaerket Interessentskab, Sydoestsjaellands Elektricitets Aktieselskab, Koebenhavns Kommune, Interessentskabet Midtkraft, Aalborg Kommune and Andelsselskabet Bornholms Hoejspaendingsvaerk.

¹ Came into force on 11 February 1959, upon notification by the Bank to the Government of Denmark.

² See p. 162 of this volume.

³ See p. 160 of this volume.

- (b) "Subsidiary Loan Agreements" means the respective agreements between the Borrower and the Beneficiaries referred to in Section 5.07 of this Agreement.
- (c) "Subsidiary Loans" means the loans provided for in the respective Subsidiary Loan Agreements.
- (d) "Public Bond Issue" means the issue of its bonds to be sold by the Borrower in the markets of the United States of America.

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 million dollars (\$20,000,000).

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 herein and in the Loan Regulations and subject to the rights of cancellation and suspension set forth in the Loan Regulations.

Section 2.03. The Borrower shall be entitled to withdraw from the Loan Account in such currencies and at such times as shall be agreed between the Bank and the Borrower such percentages as shall be agreed between the Bank and the Borrower of amounts which shall have been expended on the respective Projects after May 31, 1958.

Section 2.04. 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 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 2.05. 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 2.06. Interest and other charges shall be payable semi-annually on February 1 and August 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 1¹ to this Agreement.

¹ See p. 156 of this volume.

Article III

USE OF PROCEEDS OF THE LOAN

Section 3.01. The Borrower shall cause the proceeds of the Loan to be applied to financing expenditures required to carry out the Projects described in Schedule 2¹ to this Agreement.

Article IV

BONDS

Section 4.01. The Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in the Loan Regulations.

Section 4.02. The Minister of Finance of the Borrower and such person or persons as he shall appoint in writing are designated as authorized representatives of the Borrower for the purposes of Section 6.12 of the Loan Regulations.

Article V

PARTICULAR COVENANTS

Section 5.01. (a) The Borrower shall cause the Projects to be carried out with due diligence and efficiency and in conformity with sound engineering and financial practices and shall cause the Beneficiaries to operate their properties and maintain their financial position in accordance with sound business and public utility practices.

(b) The Borrower shall cause to be furnished to the Bank, promptly upon their preparation, the plans and specifications for the Projects and any material modifications subsequently made therein, in such detail as the Bank shall from time to time request.

(c) The Borrower shall maintain or cause to be maintained records adequate to show the application of the proceeds of the Subsidiary Loans, to disclose the use thereof in the Projects, to record the progress of the Projects (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of the Beneficiaries; shall enable the Bank's representatives to inspect the Projects, the properties of the Beneficiaries and any relevant records and documents; and shall furnish to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the Subsidiary Loans, the Projects and the operations and financial condition of the Beneficiaries.

¹ See p. 158 of this volume.

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 governmental assets. To that end, the Borrower undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Borrower or of any of its political subdivisions or of any agency of the Borrower (including Mortgage Bank of Denmark) or of any agency of any such political subdivision or of Danmarks Nationalbank, as security for any external debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect; provided, however, that the foregoing provisions of this Section shall not apply to: (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; (ii) any lien on commercial goods to secure a debt maturing not more than one year after the date on which it is originally incurred and to be paid out of the proceeds of sale of such commercial goods; or (iii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

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; 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 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.

Section 5.07. The Borrower shall enter into Subsidiary Loan Agreements providing for loans by the Borrower to the respective Beneficiaries of amounts needed to enable them to carry out the Projects. Such loans shall be made upon terms satisfactory to the Bank which shall be embodied in Subsidiary Loan Agreements mutually satisfactory to the Borrower and the Bank.

Section 5.08. Except as the Bank shall otherwise agree, the Borrower shall exercise its rights under the Subsidiary Loan Agreements in such manner as to protect the interests of the Borrower and the Bank, and, except as aforesaid, the Borrower shall not amend, assign, abrogate or waive any provision of the Subsidiary Loan Agreements.

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.

Article VII

EFFECTIVE DATE; TERMINATION

Section 7.01. 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 :

(a) Subsidiary Loan Agreements with the respective Beneficiaries, in form satisfactory to the Bank, shall have been duly executed and delivered as between the parties thereto and shall have become fully effective in accordance with their terms, subject only to the effectiveness of this Agreement.

(b) The Borrower shall have duly delivered and received payment for the bonds of the Public Bond Issue.

Section 7.02. 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, namely,

(a) that the respective Beneficiaries have full power and authority to construct and operate the Projects and have all necessary rights and powers in connection therewith and that all acts, consents, validations and approvals necessary therefor have been duly and validly performed or given;

(b) that the Subsidiary Loan Agreements have been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and the respective Beneficiaries and constitute valid and binding obligations of the Borrower and the respective Beneficiaries in accordance with their terms.

Section 7.03. A date 15 days after the date of this Agreement is hereby specified for the purposes of Section 9.04 of the Loan Regulations.

Article VIII

MISCELLANEOUS

Section 8.01. The Closing Date shall be July 31, 1962.

Section 8.02. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Borrower :

Ministry of Finance
Copenhagen, Denmark

Alternative address for cablegrams and radiograms :

Finans
Copenhagen

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

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

Kingdom of Denmark :
By K. KNUTH-WINTERFELDT
Authorized Representative

International Bank for Reconstruction and Development :
By Davidson SOMMERS
Vice 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>
August 1, 1962	\$372,000	February 1, 1971	\$601,000
February 1, 1963	382,000	August 1, 1971	619,000
August 1, 1963	393,000	February 1, 1972	637,000
February 1, 1964	404,000	August 1, 1972	655,000
August 1, 1964	416,000	February 1, 1973	674,000
February 1, 1965	428,000	August 1, 1973	693,000
August 1, 1965	440,000	February 1, 1974	713,000
February 1, 1966	453,000	August 1, 1974	733,000
August 1, 1966	466,000	February 1, 1975	754,000
February 1, 1967	479,000	August 1, 1975	776,000
August 1, 1967	493,000	February 1, 1976	799,000
February 1, 1968	507,000	August 1, 1976	821,000
August 1, 1968	522,000	February 1, 1977	845,000
February 1, 1969	537,000	August 1, 1977	869,000
August 1, 1969	552,000	February 1, 1978	894,000
February 1, 1970	568,000	August 1, 1978	920,000
August 1, 1970	585,000		

* 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 3 years before maturity	$\frac{1}{2}$ of 1%
More than 3 years but not more than 6 years before maturity	1 $\frac{1}{2}$ %
More than 6 years but not more than 11 years before maturity	2 $\frac{1}{2}$ %
More than 11 years but not more than 16 years before maturity	3 $\frac{1}{2}$ %
More than 16 years but not more than 18 years before maturity	4 $\frac{3}{4}$ %
More than 18 years before maturity	5 $\frac{3}{4}$ %

SCHEDULE 2

DESCRIPTION OF PROJECTS

1. *Elektricitetsselskabet Isefjordvaerket Interessentskab*

A thermal power plant will be constructed at Asnaes near Kalundborg. The plant will be equipped with two 135,000 kw turbogenerating units. Each turbine will have a reheat cycle and be designed to operate at a pressure of 1,780 pounds per square inch and a temperature of 1,000° F. The two boilers will each be equipped to burn oil or coal and produce 900,000 pounds of steam per hour. All auxiliaries necessary for the operation of the plant will be provided. Two main transformers, each with a capacity of 150,000 kva will be installed. A 120kv transmission line approximately 102 kilometers long and associated substations will be constructed. The project is expected to be completed by December 31, 1961.

2. *Sydoestsjaellands Elektricitets Aktieselskab (SEAS)*

The existing Masnedoe thermal plant, located near Vordingborg, will be expanded by the installation of an 80,000 kw turbogenerating unit. The turbine will be designed to operate at a pressure of 1,700 pounds per square inch and a temperature of 980° F. The single boiler will be of the Benson type and equipped to burn oil or coal and produce 550,000 pounds of steam per hour. All auxiliaries necessary for the operation of the new unit will be provided. The transmission network will be extended by construction of a 120 kv transmission line approximately 29 kilometers in length (including about 5 kilometers of sea cable) and of an associated substation. The project is expected to be completed by December 31, 1960.

3. *Koebenhavns Kommune*

The number two section of the existing H. C. Oersted thermal plant in Copenhagen will be reconstructed. The new section will be equipped with a 36,000 kw back pressure

turbogenerating unit, designed to operate at a pressure of 1,560 pounds per square inch and a temperature of 1,000° F. Three boilers will be installed, equipped to burn coal and each to produce 396,000 pounds of steam per hour. All auxiliaries necessary for the operation of the new section will be provided. A new substation at Bellahoej will be constructed and connected to the existing 120 kv cable system. The project is expected to be completed by July 31, 1962.

4. *Interessentskabet Midtkraft*

The existing Aarhus thermal plant will be expanded by the installation of a 70,000 kw turbogenerating unit. The turbine will be designed to operate at a pressure of 1,900 pounds per square inch and a temperature of 1,000° F. Two boilers will be installed, designed to burn lignite or oil and each to produce 370,000 pounds of steam per hour. All auxiliaries necessary for the operation of the new unit will be provided. The project is expected to be completed by December 31, 1960.

5. *Aalborg Kommune*

The existing Aalborg thermal plant will be extended by the installation of three turbogenerating units, one 40,000 kw, one 68,000 kw and one 8,000 kw back pressure unit. The turbines are designed to operate at a pressure of 1,280 pounds per square inch and a temperature of 980° F. The three boilers to be installed will be equipped to burn lignite or oil. Two of them will each be designed to produce 350,000 and the third 440,000 pounds of steam per hour. All auxiliaries necessary for the operation of the new units will be provided. The transmission network will be extended by the construction of a 150 kv transmission line, about 130 kilometers long, and associated substations. The project is expected to be completed by July 31, 1962.

6. *Andelsselskabet Bornholms Højspaendingsvaerk*

Two 60 kv transmission lines with a total length of about 45 kilometers and three associated substations will be constructed. The project is expected to be completed by December 31, 1960.

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 and the first three sentences of Section 3.01 shall be deleted.

(b) The following sentence shall be added to the end of Section 3.05:

If a withdrawal is applied for on account of expenditures in a currency other than dollars, the value of such other currency in terms of the currency or currencies to be withdrawn shall be as reasonably determined by the Bank.

(c) Section 4.01 is amended to read as follows :

Withdrawal from the Loan Account. Except as shall be otherwise agreed between the Bank and the Borrower, no withdrawals shall be made on account of expenditures in the territories of any country (other than Switzerland) which is not a member of the Bank or for goods produced in (including services supplied from) such territories.

(d) Section 4.02 shall be deleted.

(e) Section 4.03 shall read as follows :

Application 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. 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 expenditures on the Projects; provided, however, that no withdrawals shall be made in respect of a Project in an amount which at the date of such withdrawal is in excess of the equivalent of the amount theretofore or simultaneously advanced by the Borrower to the Beneficiary under the relative Subsidiary Loan Agreement.

(f) Section 5.04 shall be deleted.

(g) Section 9.03 shall be amended to read as follows :

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 dispatches to the Borrower a cable notifying it of its acceptance of the evidence required by Section 9.01.

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.]

LETTER RELATING TO THE LOAN AGREEMENT

ROYAL DANISH EMBASSY

Washington, D. C., February 4, 1959

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

Gentlemen :

Referring to Section 2.03 of the Loan Agreement (*Power Projects*) of even date¹ herewith between Kingdom of Denmark and the International Bank for Reconstruction and Development, we request your agreement as follows :

Subject to the provisions of the Loan Agreement, the Kingdom of Denmark shall be entitled to withdraw from the Loan Account amounts in United States dollars, U. K. pounds sterling, or currencies convertible into dollars or into U. K. pounds sterling, or any combination thereof as the Bank may select. The percentages of expenditures on the respective projects which will form the basis of withdrawals shall be as follows :

<i>Name of Beneficiary</i>	<i>Percentages</i>
Elektricitetsselskabet Isefjordvaerket Interessentskab	30
Sydoestsjaellands Elektricitets Aktieselskab	41
Koebenhavns Kommune	37
Interessentskabet Midtkraft	43
Aalborg Kommune	42
Andelsselskabet Bornholms Højspaendingsværk	68

If you agree, please sign and return to us the enclosed copy of this letter.

Kingdom of Denmark :
By K. KNUTH-WINTERFELDT
Authorized Representative

Confirmed :

International Bank for Reconstruction
and Development :

By Davidson SOMMERS
February 4, 1959

¹ See p. 144 of this volume.