

No. 6125

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

Loan Agreement—*Seventh Transport Project* (with annexed Loan Regulations No. 3). Signed at Washington, on 1 December 1961

Official text: English.

Registered by the International Bank for Reconstruction and Development on 23 April 1962.

**BANQUE INTERNATIONALE POUR
LA RECONSTRUCTION ET LE DÉVELOPPEMENT
et
AFRIQUE DU SUD**

Contrat d'emprunt — *Septième projet relatif aux transports* (avec, en annexe, le Règlement n° 3 sur les emprunts). Signé à Washington, le 1^{er} décembre 1961

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 23 avril 1962.

No. 6125. LOAN AGREEMENT¹ (*SEVENTH TRANSPORT PROJECT*) BETWEEN THE REPUBLIC OF SOUTH AFRICA AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 1 DECEMBER 1961

AGREEMENT, dated December 1, 1961, between REPUBLIC OF SOUTH AFRICA (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

Article I

LOAN REGULATIONS ; SPECIAL DEFINITION

Section 1.01. The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 3 of the Bank dated February 15, 1961,² subject, however, to the modifications thereof set forth in Schedule 3² 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. For the purposes of this Agreement, any reference herein or in the Loan Regulations (including any Schedules thereto) to the "territories" of the Borrower shall be construed to include a reference to any territory administered by the Borrower.

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 eleven million dollars (\$11,000,000).

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 The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, this Agreement and the Loan Regulations.

¹ Came into force on 1 January 1962, upon notification by the Bank to the Government of South Africa.

² See p. 212 of this volume.

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 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 June 1 and December 1 in each year.

Section 2.07. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 1¹ 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 2² 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, and the methods and procedures for procurement of such goods shall be satisfactory to the Bank.

Section 3.02. Except as shall be otherwise agreed between the Borrower and the Bank, 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.

¹ See p. 208 of this volume.

² See p. 210 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 operations and financial condition 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 operations and financial condition of the South African Railways and Harbours Administration.

(c) The Borrower shall maintain or cause to be maintained the plant, equipment and other 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 ; 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 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.

Article VII

MISCELLANEOUS

Section 7.01. The Closing Date shall be June 30, 1963, or such other date as may from time to time be agreed between the Borrower and the Bank.

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
Republic 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.

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

Republic of South Africa :

By W. C. 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>
December 1, 1963	\$ 511,000	June 1, 1968	\$ 659,000
June 1, 1964	525,000	December 1, 1968	678,000
December 1, 1964	541,000	June 1, 1969	698,000
June 1, 1965	556,000	December 1, 1969	718,000
December 1, 1965	572,000	June 1, 1970	738,000
June 1, 1966	589,000	December 1, 1970	760,000
December 1, 1966	605,000	June 1, 1971	782,000
June 1, 1967	623,000	December 1, 1971	804,000
December 1, 1967	641,000		

* To the extent that any part of the Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.03), 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 two years before maturity	½ of 1 %
More than two years but not more than four years before maturity	2 %
More than four years but not more than six years before maturity	3 ½ %
More than six years but not more than eight years before maturity	4 ¾ %
More than eight years before maturity	5 ¾ %

SCHEDULE 2

DESCRIPTION OF THE 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 two-year period ending March 31, 1963 ; and (b) the completion to a state of practical usefulness within a reasonable time after March 31, 1963 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 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 presently contemplates expenditure by the Borrower of the equivalent of approximately 250 million South African rands between April 1, 1961 and March 31, 1963. 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 electric locomotive units, diesel locomotives, diesel rail-car sets, electric motor coaches, trailers, and 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 February 15, 1961, shall be deemed to be modified as follows :

(a) Paragraph (c) of Section 5.02 is amended to read as follows :

“(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, or under any other prior loan agreement between the Borrower and the Bank, or the bonds issuable thereunder.”

(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 following : “(including territories administered by it)”.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 3, DATED 15 FEBRUARY 1961

REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK TO MEMBER GOVERNMENTS

[Not published herein. See *United Nations, Treaty Series, Vol. 414, p. 268.*]