

No. 6760

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

Loan Agreement—Road Project (with annexed Loan Regulations No. 3). Signed at Washington, on 17 October 1962

Official text : English.

Registered by the International Bank for Reconstruction and Development on 5 June 1963.

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

Contrat d'emprunt — *Projet routier* (avec, en annexe, le Règlement n° 3 sur les emprunts). Signé à Washington, le 17 octobre 1962

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 5 juin 1963.

No. 6760. LOAN AGREEMENT¹ (*ROAD PROJECT*) BETWEEN THE STATE OF ISRAEL AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 17 OCTOBER 1962

AGREEMENT, dated October 17, 1962, between STATE OF ISRAEL (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 Agreement accept all the provisions of Loan Regulations No. 3 of the Bank dated February 15, 1961,² with same force and effect as if they were fully set forth herein, subject, however, to the following modification thereof (said Loan Regulations No. 3 as so modified being hereinafter called the Loan Regulations) :

Section 4.01 is deleted.

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-two million dollars (\$22,000,000).

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 The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, this Agreement and the Loan Regulations.

Section 2.03. Except as the Borrower and the Bank shall otherwise agree :

(a) The Borrower shall be entitled, subject to the provisions of this Agreement, to withdraw from the Loan Account : (i) the equivalent of a percentage to be established from time to time by agreement between the Borrower and the Bank of such

¹ Came into force on 21 December 1962, upon notification by the Bank to the Government of Israel.

² See p. 122 of this volume.

amounts as shall have been expended by the Borrower for the reasonable cost of goods, other than consultants' services, required for carrying out parts A and B of the Project, such percentage to represent the foreign exchange component of such cost ; (ii) such amounts as shall have been otherwise expended (other than for goods produced in, including services supplied from, the territories of the Borrower or for expenditures in currency of the Borrower) for the reasonable cost of goods required for carrying out the Project and not included in the foregoing ; and (iii) if the Bank shall so agree, such amounts as shall be required to meet payments to be made for the reasonable cost of the foregoing.

(b) Withdrawals from the Loan Account on account of expenditures specified in paragraph (i) of sub-section (a) of this Section shall be in such currency or currencies, other than currency of the Borrower, as the Bank shall from time to time reasonably select.

(c) Notwithstanding the foregoing provisions of this Section, no withdrawals shall be made on account of (i) expenditures made prior to February 15, 1962, or (ii) expenditures made in the territories of any country (except Switzerland) which is not a member of the Bank or for goods produced in (including services supplied from) such territories.

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.

Section 2.05. The Borrower shall pay interest at the rate of five and one-half per cent ($5\frac{1}{2}$ %) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

Section 2.06. 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 2.07. Interest and other charges shall be payable semi-annually on January 15 and July 15 in each year.

Section 2.08. 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

¹ See p. 120 of this volume.

in Schedule 2¹ to this Agreement. The specific goods to be financed out of the proceeds of the Loan and the methods and procedures for procurement of such goods shall be determined by agreement between the Borrower and the Bank, subject to modification by further agreement between them.

Section 3.02. Except as the Borrower and the Bank shall otherwise agree, 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.

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) Except as the Bank shall otherwise agree, the Borrower shall, in the carrying out of the Project, employ or cause to be employed consultants acceptable to, and to an extent and upon terms and conditions satisfactory to, the Borrower and the Bank.

(c) Such portion of the works included in Parts A and B of the Project as shall from time to time be agreed upon between the Borrower and the Bank shall be constructed by contractors satisfactory to the Borrower and the Bank, employed under contracts satisfactory to the Borrower and the Bank.

(d) The Borrower shall promptly furnish or cause to be furnished to the Bank the plans, specifications and work schedules for the Project and any material modifications subsequently made therein, in such detail as the Bank shall from time to time request.

(e) 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

¹ See p. 122 of this volume.

the operations and financial condition relating to the Project of the agency or agencies of the Borrower responsible for the carrying out of the Project or any part thereof ; shall enable the Bank's representatives to inspect the Project, the goods and any relevant records and documents ; and shall furnish or cause to be furnished 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 relating to the Project of the agency or agencies of the Borrower responsible for the carrying out of the Project or any part thereof.

Section 5.02. (a) The Borrower and the Bank shall co-operate 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 the Bank of Israel or any other institution acting as the central bank 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 arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

The term "assets of the Borrower" as used in this Section includes assets of the Borrower or of any of its political subdivisions or of any agency of the Borrower or of any such political subdivision.

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 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 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 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, 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.

Section 5.08. (a) The Borrower shall cause all its machinery and equipment for road construction and maintenance to be adequately maintained and repaired and suitable workshops to be provided and maintained for that purpose.

(b) The Borrower shall cause the entire network of its inter-urban (Main and District) roads and the feeder roads included in the Project to be adequately maintained, and all necessary repairs thereof promptly to be made, all in accordance with sound engineering practices, and shall take all reasonable steps necessary to ensure the proper use of such roads.

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 the Loan Agreement or in the Bonds to the contrary notwithstanding.

Article VII

MISCELLANEOUS

Section 7.01. The Closing Date shall be December 31, 1966.

Section 7.02. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Borrower :

Minister of Finance
Jerusalem
Israel

Alternative cable address :

Ozar
Jerusalem

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

Section 7.04. A date 60 days after the date of this Agreement is hereby specified for the purposes of Section 9.04 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.

State of Israel :

By Aryeh MANOR
Authorized Representative

International Bank for Reconstruction and Development :

By W. A. B. LIFF
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>
January 15, 1967	\$560,000	January 15, 1974	\$820,000
July 15, 1967	575,000	July 15, 1974	840,000
January 15, 1968	590,000	January 15, 1975	865,000
July 15, 1968	610,000	July 15, 1975	890,000
January 15, 1969	625,000	January 15, 1976	915,000
July 15, 1969	640,000	July 15, 1976	940,000
January 15, 1970	660,000	January 15, 1977	965,000
July 15, 1970	675,000	July 15, 1977	990,000
January 15, 1971	695,000	January 15, 1978	1,015,000
July 15, 1971	715,000	July 15, 1978	1,045,000
January 15, 1972	735,000	January 15, 1979	1,075,000
July 15, 1972	755,000	July 15, 1979	1,105,000
January 15, 1973	775,000	January 15, 1980	1,130,000
July 15, 1973	795,000		

* 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 three years before maturity	1½%
More than three years but not more than six years before maturity	2%
More than six years but not more than eleven years before maturity	3½%
More than eleven years but not more than fifteen years before maturity	4½%
More than fifteen years before maturity	5½%

SCHEDULE 2

DESCRIPTION OF THE PROJECT

The Project consists of :

Part A. The construction, reconstruction or improvement of about 820 kilometers of inter-urban (Main and District) roads in the territories of the Borrower to standards and specifications mutually satisfactory to the Borrower and the Bank ; the specific roads, or sections thereof, included in this Part A of the Project shall be determined by agreement between the Borrower and the Bank, subject to modification by further agreement between them.

Part B. The construction or improvement of feeder roads in the territories of the Borrower to standards and specifications mutually satisfactory to the Borrower and the Bank ; the specific roads to be included in this Part B of the Project shall be determined from time to time by agreement between the Borrower and the Bank.

Part C. The procurement and utilization by the Public Works Department of the Borrower of accounting machines, equipment for road maintenance and installations and equipment for control of road traffic and for the collection of traffic information.

Part D. The study of the needs and economic priorities for inland surface transportation in the territories of the Borrower in order to insure that future development in such field take place in the most economic manner and directions.

Part E. The preliminary survey and design for a program of further road construction in the territories of the Borrower.

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.*]