

No. 8104

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
and
IRAN

Loan Agreement — *Third Road Project* (with annexed
Loan Regulations No. 3). Signed at Washington, on
28 April 1965

Official text: English.

*Registered by the International Bank for Reconstruction and Development on
14 February 1966.*

BANQUE INTERNATIONALE POUR
LA RECONSTRUCTION ET LE DÉVELOPPEMENT
et
IRAN

Contrat d'emprunt — *Troisième projet routier* (avec, en
annexe, le Règlement n° 3 sur les emprunts). Signé
à Washington, le 28 avril 1965

Texte officiel anglais.

*Enregistré par la Banque internationale pour la reconstruction et le développement
le 14 février 1966.*

No. 8104. LOAN AGREEMENT ¹ (*THIRD ROAD PROJECT*)
BETWEEN IRAN AND THE INTERNATIONAL BANK
FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED
AT WASHINGTON, ON 28 APRIL 1965

AGREEMENT, dated April 28, 1965, between IRAN (hereinafter sometimes called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

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 February 15, 1961, ² with the 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 of the Loan Regulations is deleted.

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

- (1) The term " Plan Law " means the Law Decree of Iran of September 6, 1962, providing for the Third National Five Year Development Plan of the Borrower, together with any amendment or amendments thereof.
- (2) The term " Plan " means the Third National Five 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 or any other organization or organizations which may be charged by law with development functions of similar scope and character, and shall include any successor or successors thereto.

¹ Came into force on 9 September 1965, upon notification by the Bank to the Government of Iran.

² See p. 66 of this volume.

- (4) The term " First Road Project Loan Agreement " means the Loan Agreement dated May 29, 1959¹ between the Borrower and the Bank.
- (5) The term " Second Road Project Loan Agreement " means the Loan Agreement dated June 10, 1964² between the Borrower and the Bank.
- (6) The term " Feeder Roads Project Loan Agreement " means the Loan Agreement of even date herewith³ between the Borrower and the Bank providing for a project of feeder road construction.
- (7) The term " Project " means the project for which the Loan is granted, as described in Schedule 2⁴ to this Agreement and as the description thereof shall be amended from time to time by agreement between the Borrower and the Bank.
- (8) The term " Ministry " means the Ministry of Roads of the Borrower and shall include any successor thereto.
- (9) The term " main roads of Iran " means all main roads of Iran (including, but without limitation, all bridges, viaducts and other structures of such roads) which are under the jurisdiction of the Ministry and which have been improved, reconstructed or constructed within the last ten years.

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in the Loan Agreement set forth or referred to, an amount in various currencies equivalent to thirty-two million dollars (\$32,000,000).

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 Agreement.

Section 2.03. Except as the Bank shall otherwise agree, the Borrower shall be entitled, subject to the provisions of the Loan Agreement, to withdraw from the Loan Account :

- (a) the equivalent of a percentage or percentages to be established from time to time by agreement between the Borrower (acting through the Plan

¹ United Nations, *Treaty Series*, Vol. 348, p. 103.

² United Nations, *Treaty Series*, Vol. 537, p. 111.

³ See p. 22 of this volume.

⁴ See p. 66 of this volume.

Organization) and the Bank of such amounts as shall have been paid for the reasonable cost of goods required for carrying out the Project, such percentage or percentages to represent the foreign exchange component of such cost ; and

- (b) such amounts as shall have been expended (other than for local currency expenditures) for the reasonable cost of engineering consultants' services to be financed under this Agreement and, if the Bank shall so agree, such amounts as shall be required by the Borrower to meet payments for such services ;

provided, however, that no withdrawals shall be made on account of : (i) payments made prior to November 1, 1964 ; 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.

As used in this Section, the term " local currency expenditures " means expenditures in the currency of the Borrower or for goods produced in (including services supplied from) the territories of the Borrower.

Section 2.04. Withdrawals from the Loan Account pursuant to subsection (a) of Section 2.03 of this Agreement shall be in dollars or such other currency or currencies as the Bank shall from time to time reasonably select.

Section 2.05. The Borrower shall pay to the Bank a commitment charge at the rate of three-eighths of one per cent ($\frac{3}{8}$ of 1 %) per annum on the principal amount of the Loan not so withdrawn from time to time.

Section 2.06. 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 2.07. 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 2.08. Interest and other charges shall be payable semi-annually on May 1 and November 1 in each year.

Section 2.09. 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. 64 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 exclusively to financing the cost of goods required to carry out the Project described in Schedule 2 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 (acting through the Plan Organization) 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) The list of roads to be included in the Project shall be determined from time to time by agreement between the Borrower (acting through the Plan Organization) and the Bank, subject to modification by further agreement between them.

(c) In the carrying out of the Project the Borrower shall employ or cause to be employed engineering consultants and other experts acceptable to, and to an extent and upon terms and conditions satisfactory to, the Borrower and the Bank.

(d) Except as the Bank shall otherwise agree, the roads included in the Project shall be constructed or improved by contractors satisfactory to the

Borrower and the Bank, employed under contracts satisfactory to the Borrower and the Bank.

(e) The general design standards and the types of surfacing (including pavement) to be used for the roads included in the Project shall be as determined by agreement between the Borrower (acting through the Plan Organization) and the Bank, subject to modification by further agreement between them.

(f) Upon request from time to time by the Bank, 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 reasonably request.

(g) The Borrower shall at all times make available for disbursement promptly as needed all sums and other resources which shall be required for the carrying out of the Project.

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, the Borrower and the Bank shall from time to time, at the request of either party, exchange views through their representatives with regard to the performance by the Borrower of its obligations under the Loan Agreement, the administration, operations and financial condition with respect to the Project of the Plan Organization or other agency or agencies of the Borrower responsible for the carrying out of the Project or any part thereof or the maintenance of the main roads of Iran, and other matters relating to the purposes of the Loan.

(b) The Borrower 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 goods financed out of such proceeds, the Project, and the administration, operations and financial condition with respect to the Project of the Plan Organization or other agency or agencies of the Borrower responsible for the carrying out of the Project or any part thereof or the maintenance of the main roads of Iran. 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.

(c) 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, the maintenance of the service thereof or the performance by the Borrower of its obligations under the Loan Agreement.

(d) 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. 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 with respect to the Project of the Plan Organization or other agency or agencies of the Borrower responsible for the carrying out of the Project or any part thereof or the maintenance of the main roads of Iran, and shall enable the Bank's representatives to inspect the Project, the goods financed out of the proceeds of the Loan, and any relevant records and documents, and all other road construction and maintenance works, equipment, properties and facilities of the Borrower relating to the main roads of Iran.

Section 5.04. (a) The Borrower shall : (i) cause the main roads of Iran to be adequately maintained and all necessary repairs thereof promptly to be made, all in accordance with sound engineering practices ; and (ii) provide promptly as needed all sums and other resources required for that purpose.

(b) The Borrower shall cause all its road maintenance equipment to be adequately maintained and all necessary repairs, renewals and replacements thereof to be made and suitable workshops to be provided and maintained for that purpose.

(c) The Borrower further undertakes that it will cause the Ministry diligently to take all steps necessary, including the employment of technical experts, to develop and strengthen the maintenance organization and facilities of the Ministry so that they will be adequate to maintain, in accordance with sound engineering practices, the main roads of Iran.

(d) In order to ensure the proper use of the main roads of Iran, the Borrower shall, except as the Borrower and the Bank shall otherwise agree : (i) take all such action as shall be necessary to cause the dimensions and weights of vehicles using such roads to be kept within limits substantially in accordance with the standards agreed upon at the United Nations Conference on Road and Motor Transport held at Geneva, Switzerland in 1949¹ previously adopted by the Borrower ; and (ii) from time to time carry out systematic traffic counts on such roads and analyze the data obtained therefrom, in accordance with sound engineering practices, and furnish to the Bank such information in respect thereof as the Bank shall reasonably request.

Section 5.05. The Borrower undertakes that, if the Borrower or any political subdivision of the Borrower or any agency of any of them (including,

¹ See United Nations, *Treaty Series*, Vol. 125, p. 3.

without limitation, the Plan Organization and the Bank Markazi Iran) shall propose to incur any external debt or substantially to modify the terms of payment of any such external debt from time to time outstanding, the Borrower 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 with respect thereto. The foregoing provisions of this Section shall not apply to : (i) the incurring of additional external debt through utilization, in accordance with the terms of any credit established prior to the date of this Agreement, of any unused amounts available under such credit ; (ii) the entering into international payments or similar agreements the term of which is not more than one year and under which the transactions on each side are expected to balance over the period of the agreement ; or (iii) the incurring by the Bank Markazi Iran in the ordinary course of its business of any indebtedness maturing not more than one year after its date. For the purposes of this Section debt shall be deemed to include, without limitation, suppliers' credits, other than normal commercial current accounts.

Section 5.06. 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 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 ; or (ii) 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, including the assets of the Bank Markazi Iran and any other institution performing the functions of a central bank for the Borrower.

Section 5.07. 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, 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 5.08. 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 5.09. 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 5.10. 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 or in Section 6.02 of this Agreement for the purposes of paragraph (h) 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. (a) For the purposes of Section 5.02 (h) of the Loan Regulations, the following additional event is specified: a default shall have occurred in the performance of any other covenant or agreement of the Borrower under the First Road Project Loan Agreement, the Second Road Project Loan Agreement, the Feeder Roads Project Loan Agreement, or the bonds provided for therein.

(b) The Borrower and the Bank hereby agree that for the purposes of the First Road Project Loan Agreement, the Second Road Project Loan Agreement and the Feeder Roads Project Loan Agreement, respectively, an event referred to in paragraph (c) of Section 5.02 of the Loan Regulations No. 3 of the Bank applicable to this Agreement shall be deemed to be an event under paragraph (c) of Section 5.02 of the Loan Regulations No. 3 of the Bank applicable to any other such Agreement.

Article VII

MISCELLANEOUS

Section 7.01. The Closing Date shall be September 1, 1969, or such other date or dates as shall be agreed between the Borrower and the Bank as the Closing Date.

Section 7.02. 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, D.C. 20433
United States of America

Alternative cable address :

Intbafrad
Washington, D.C.

Section 7.03. The Managing Director of the Plan Organization is designated for the purposes of Section 8.03 of the Loan Regulations.

Section 7.04. A date 90 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.

Iran :

By Jahangir AMUZEGAR
Authorized Representative

International Bank for Reconstruction and Development :

By J. Burke KNAPP
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>
November 1, 1969	\$415,000	May 1, 1980	\$730,000
May 1, 1970	425,000	November 1, 1980	750,000
November 1, 1970	435,000	May 1, 1981	775,000
May 1, 1971	450,000	November 1, 1981	795,000
November 1, 1971	460,000	May 1, 1982	815,000
May 1, 1972	475,000	November 1, 1982	840,000
November 1, 1972	485,000	May 1, 1983	860,000
May 1, 1973	500,000	November 1, 1983	885,000
November 1, 1973	515,000	May 1, 1984	910,000
May 1, 1974	530,000	November 1, 1984	935,000
November 1, 1974	545,000	May 1, 1985	960,000
May 1, 1975	560,000	November 1, 1985	985,000
November 1, 1975	575,000	May 1, 1986	1,015,000
May 1, 1976	590,000	November 1, 1986	1,040,000
November 1, 1976	605,000	May 1, 1987	1,070,000
May 1, 1977	620,000	November 1, 1987	1,100,000
November 1, 1977	640,000	May 1, 1988	1,130,000
May 1, 1978	655,000	November 1, 1988	1,160,000
November 1, 1978	675,000	May 1, 1989	1,195,000
May 1, 1979	695,000	November 1, 1989	1,225,000
November 1, 1979	710,000	May 1, 1990	1,265,000

* 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	1/2%
More than three years but not more than six years before maturity	1%
More than six years but not more than eleven years before maturity	1 1/2%
More than eleven years but not more than sixteen years before maturity	2 1/2%
More than sixteen years but not more than twenty-one years before maturity	3 1/2%
More than twenty-one years but not more than twenty-three years before maturity	4 1/2%
More than twenty-three years before maturity	5 1/2%

SCHEDULE 2

DESCRIPTION OF THE PROJECT

The Project consists of construction or improvement to modern standards of about 1680 kilometers of main roads of Iran, including the necessary drainage and other protective works and bridge structures.

* * *

The Project will be carried out by the Ministry, with the assistance, cooperation and supervision of the Plan Organization, using contractors who will be under the supervision of engineering consultants.

The Project is scheduled to be completed by September 1968.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
 LOAN REGULATIONS No 3, DATED 15 FEBRUARY 1961
 LOAN REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK
 TO MEMBER GOVERNMENTS

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