

No. 8103

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

**Loan Agreement — *Feeder Roads 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 — *Projet de routes de raccordement*
(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. 8103. LOAN AGREEMENT¹ (*FEEDER ROADS 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. 42 of this volume.

- (4) The term “ First Road Project Loan Agreement ” means the Loan Agreement dated May 29, 1959,¹ 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 “ Third Road Project Loan Agreement ” means the Loan Agreement of even date herewith³ between the Borrower and the Bank providing for the Third Road Project.
- (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 “ Technical Bureaus ” means the technical bureaus established in the Ostans (provinces) of the Borrower and operating under the jurisdiction of the Ministry of Housing and Development, with such functions and duties in respect of the Project as the Borrower and the Bank shall from time to time determine, and shall include any successor or successors 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 of Roads and which have been improved, reconstructed or constructed within the last ten years.
- (10) The terms “ Ministry of Housing and Development ” and “ Ministry of Roads ” shall include any successor or successors thereto.

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 eight million five hundred thousand dollars (\$8,500,000).

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

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

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

³ See p. 46 of this volume.

⁴ See p. 40 of this volume.

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 Organization) and the Bank of such amounts as shall have been paid for the reasonable cost of goods required for carrying out parts A and B of 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 goods 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 goods ;

provided, however, that no withdrawals shall be made on account of : (i) payments made prior to March 1, 1965 ; 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. Notwithstanding any other provision of the Loan Agreement, unless the Bank shall otherwise agree, the Borrower shall not be entitled to make withdrawals from the Loan Account in respect of goods for the roads provided for in part B of the Project until the location and justification of such roads have been determined and the engineering designs therefor, all to the satisfaction of the Bank, have been prepared, provided, however, that if evidence satisfactory to the Bank of the above has not been furnished to it within one year of the date of this Agreement, the Bank, at its option, may at any time thereafter by notice to the Borrower cancel an amount of the Loan not in excess of the equivalent of \$1,100,000.

Section 2.05. 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 2.06. 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 2.07. The Borrower shall pay interest at the rate of five and one-half per cent (5 ½ %) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

Section 2.08. 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 (½ of 1 %) per annum on the principal amount of any such special commitments outstanding from time to time.

Section 2.09. Interest and other charges shall be payable semi-annually on May 1 and November 1 in each year.

Section 2.10. 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 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.

¹ See p. 40 of this volume.

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 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, 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 pro-

ceeds, 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. 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, 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 equipment and facilities of the Borrower relating to the Project.

Section 5.04. The Borrower shall cause the roads included in the Project to be adequately maintained and shall cause all necessary repairs thereof promptly to be made, all in accordance with sound engineering practices.

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, 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 Third Road 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 Third Road 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 April 1, 1970, 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>
May 1, 1970	\$175,000	May 1, 1978	\$275,000
November 1, 1970	180,000	November 1, 1978	280,000
May 1, 1971	185,000	May 1, 1979	290,000
November 1, 1971	190,000	November 1, 1979	295,000
May 1, 1972	200,000	May 1, 1980	305,000
November 1, 1972	205,000	November 1, 1980	315,000
May 1, 1973	210,000	May 1, 1981	320,000
November 1, 1973	215,000	November 1, 1981	330,000
May 1, 1974	220,000	May 1, 1982	340,000
November 1, 1974	225,000	November 1, 1982	350,000
May 1, 1975	235,000	May 1, 1983	360,000
November 1, 1975	240,000	November 1, 1983	370,000
May 1, 1976	245,000	May 1, 1984	380,000
November 1, 1976	250,000	November 1, 1984	390,000
May 1, 1977	260,000	May 1, 1985	400,000
November 1, 1977	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	½%
More than three years but not more than six years before maturity	1 ½%
More than six years but not more than eleven years before maturity	2 ½%
More than eleven years but not more than sixteen years before maturity	3 ½%
More than sixteen years but not more than eighteen years before maturity	4 ½%
More than eighteen years before maturity	5 ½%

SCHEDULE 2

DESCRIPTION OF THE PROJECT

The Project is a program of construction of feeder roads connecting the main roads of Iran with agriculturally productive areas of the country, with the aim of increasing thereby the economic benefits flowing from such areas.

The Project includes :

- A. Construction of about 1500 kilometers of feeder roads in the Gorgan, Amol, Ramsar, Sefid-Rud, Kermanshah-Hamadan and Ghazvin areas of Iran, of which about 1175 will be financed out of the proceeds of the Loan.
- B. Construction of about 300 kilometers of additional feeder roads in the same areas the financing of which is subject to the provisions of Section 2.04 of the Loan Agreement.
- C. Maintenance of the feeder roads included in paragraphs A and B above.

* * *

The feeder roads will be constructed by the Ministry of Housing and Development acting through the Technical Bureaus, with the assistance, cooperation and supervision of the Plan Organization, using contractors who will be under the supervision of engineering consultants and other experts, and will be maintained by the Ministry of Roads.

Parts A and B of the Project are scheduled to be completed by March 1969.

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.*]