

No. 9331

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

**Loan Agreement—*Ghazvin Development Project* (with  
annexed Loan Regulations No. 3, as amended). Signed  
at Washington, on 17 October 1967**

*Official text : English.*

*Registered by the International Bank for Reconstruction and Development on  
5 December 1968.*

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

**Contrat d'emprunt — *Projet de mise en valeur du Ghazvin*  
(avec, en annexe, le Règlement n° 3 sur les emprunts, tel  
qu'il a été modifié). Signé à Washington, le 17 octobre  
1967**

*Texte officiel anglais.*

*Enregistré par la Banque internationale pour la reconstruction et le développement  
le 5 décembre 1968.*

No. 9331. LOAN AGREEMENT<sup>1</sup> (*GHAZVIN DEVELOPMENT PROJECT*) BETWEEN THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT AND IRAN. SIGNED AT WASHINGTON, ON 17 OCTOBER 1967

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AGREEMENT, dated October 17, 1967, between IRAN (hereinafter 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 Agreement accept all the provisions of Loan Regulations No. 3 of the Bank, dated February 15, 1961 as amended February 9, 1967,<sup>2</sup> with the same force and effect as if they were fully set forth herein (said Loan Regulations No. 3 being hereinafter called the Loan Regulations).

*Section 1.02.* Unless the context otherwise requires, the following terms wherever used in this Agreement, have the following meanings :

(a) The term "Plan Law" means the Law Decree of Iran of September 6, 1962, providing for the Third National Development Plan of the Borrower, together with any amendment or amendments thereof.

(b) 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.

(c) The term "High Council" means the administrative body created by virtue of the agreement dated February 25, 1967 between the Borrower's Minister of Water and Power, Minister of Agriculture and Managing Director of Plan Organization for the purpose of directing, supervising and coordinating the execution of all aspects of the Project and consisting of the Borrower's

<sup>1</sup> Came into force on 24 January 1968, upon notification by the Bank to the Government of Iran.

<sup>2</sup> See p. 212 of this volume.

Minister of Water and Power, Minister of Agriculture and Managing Director of Plan Organization, with a Secretary who shall be the Project Manager, or any successor or successors to the High Council.

(d) The term "Organization" means the Ghazvin Agriculture Development Organization, a statutory body established or to be established pursuant to Article 19 of the Plan Law, and charged with responsibility, under the authority of the High Council, for the execution and maintenance of all agricultural aspects of the Project, or any successor or successors thereto.

(e) The term "Board" means the Tehran Regional Water Board, a statutory body established pursuant to Decree No. 2040 of the Borrower's Council of Ministers, dated April 30, 1964, charged with general responsibility for the development of water resources in the Tehran region of the Borrower, or any successor or successors thereto.

(f) The term "Division" means the Ghazvin Water Division, a division of Tehran Regional Water Board charged with responsibility, under the authority of the High Council, for the execution and maintenance of the water development aspects of the Project.

(g) The term "Project Area" means the intermountain basin in the Ghazvin Plain, situated west of Tehran, the capital city of Iran.

## *Article II*

### THE LOAN

*Section 2.01.* The Bank agrees to lend to the Borrower an amount in various currencies equivalent to twenty-two million dollars (\$22,000,000).

*Section 2.02.* (a) 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.

(b) Notwithstanding any other provision of this Agreement, unless the Bank shall otherwise agree, the Borrower shall not be entitled to make withdrawals from the Loan Account in excess of the equivalent of three million dollars (\$3,000,000) unless the charter and regulations of the Organization referred to in Section 5.04 (b) of this Agreement shall, within two months after the Effective Date, have been enacted in form and substance satisfactory to the Bank and have become effective.

*Section 2.03.* The Borrower shall be entitled to withdraw from the Loan Account :

- (a) such amounts as shall have been paid, or, if the Bank shall so agree, as shall be required to meet payments to be made, for the reasonable cost of goods for the Project; and
- (b) the equivalent of such percentage or percentages as may be established from time to time by agreement between the Bank and the Borrower of such amounts as shall have been paid or, if the Bank shall so agree, as shall be required to meet payments to be made for the reasonable cost of other goods for the Project, and, for the purposes of this subsection (b), clause (b) of Section 4.01 of the Loan Regulations shall not apply.

*Section 2.04.* Notwithstanding the provisions of Section 3.02 of the Loan Regulations, withdrawals from the Loan Account in respect of expenditures in the currency of the Borrower or for goods produced in (including services supplied from) the territories of the Borrower 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 withdrawn from time to time from the Loan Account.

*Section 2.06.* The Borrower shall pay interest at the rate of six per cent (6%) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

*Section 2.07.* Except as the Bank and the Borrower 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 commitment outstanding from time to time.

*Section 2.08.* Interest and other charges shall be payable semi-annually on February 15 and August 15 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 1 to this Agreement.

### *Article III*

#### USE OF PROCEEDS OF THE LOAN

*Section 3.01.* 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 Bank and the Borrower, subject to modification by further agreement between them.

*Section 3.02.* Except as the Bank and the Borrower shall otherwise agree, the Borrower shall cause all goods financed out of the proceeds of the Loan to be used exclusively in carrying out the Project described in Schedule 2 to this Agreement.

#### *Article IV*

##### BONDS

*Section 4.01.* If and as the Bank shall from time to time request, the Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in Article VI of the Loan Regulations.

*Section 4.02.* The Minister of Finance of the Borrower is designated as authorized representative of the Borrower for the purposes of Section 6.12 of the Loan Regulations. The Minister of Finance of the Borrower may designate additional or other authorized representatives by appointment in writing notified to the Bank.

#### *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 agricultural, engineering, economic and financial policies and practices.

(b) The Borrower shall at all times make available, promptly as needed, all funds and other resources which shall be required for the carrying out and operation of the Project.

*Section 5.02.* (a) Except as the Bank shall otherwise agree, the Borrower shall, in the carrying out and the operation of the Project, employ consultants acceptable to, and to an extent and upon terms and conditions satisfactory to, the Bank.

(b) Upon request from time to time by the Bank, the Borrower shall promptly cause the Organization, the Division and all other agencies responsible for carrying out the Project to furnish to the Bank through the Project Manager the plans, specifications and work schedules for the Project and any material modifications subsequently made therein, in such detail as the Bank shall request.

*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 revenues of the Organization, the Division and all other agencies of the Borrower responsible for carrying out 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 and the goods, and the administration and operations of the Organization and the Division and all other agencies responsible for carrying out the Project or any part thereof.

*Section 5.04.* (a) The Borrower shall cause the Organization, the Board in respect of the Project, the Division and all other agencies of the Borrower responsible for carrying out the Project to carry out and coordinate their operations, conduct their affairs and plan the expansion of the water resources and agriculture in the Project Area, all in accordance with sound administrative, agricultural, engineering, economic and financial policies and practices and under experienced and competent management.

(b) The Borrower shall cause the Organization, the Board in respect of the Project and the Division to (i) function under charters and regulations in form and substance satisfactory to the Bank, and (ii) have such powers, facilities and resources as are necessary for the diligent and efficient carrying out and operation of the Project, and for the most effective utilization of the land included in the Project and the water made available therefor.

*Section 5.05.* (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 Organization, the Division and all other 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 proceeds, the Project, and the administration, operations and financial condition with respect to the Project of the Organization, the Division and all other agencies of the Borrower responsible for the carrying out of the Project or any part thereof. Such in-

formation 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.

*Section 5.06.* The Borrower shall cause all works, facilities and equipment related to the Project to be adequately maintained and from time to time shall cause all necessary renewals and repairs thereof to be made in accordance with sound agricultural and engineering practices.

*Section 5.07.* 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 5.08.* 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 5.09.* 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 5.10.* 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 5.11.* Except as the Bank and the Borrower shall otherwise agree, the Borrower undertakes to insure the imported goods to be financed out of the proceeds of the Loan against marine, transit and other hazards incident to acquisition, transportation and delivery thereof to the place of use or installation and for such insurance any indemnity shall be payable in a currency freely usable by the Borrower to replace or repair such goods.

*Section 5.12.* The Borrower undertakes that it will take or cause to be taken all such timely action as shall be required to complete the power distribution system necessary to supply electricity for the carrying out and operation of the Project.

*Section 5.13.* Except as the Bank shall otherwise agree, the Borrower shall cause the accounts of the Organization and the Division, and the accounts of the Board relating to the Project, to be audited at least once a year by an independent auditor acceptable to the Bank and shall cause signed copies of such auditor's reports to be furnished to the Bank within four months after the end of the Borrower's fiscal year.

*Section 5.14.* The Borrower shall at all times provide or cause to be provided such credit and agricultural extension and other technical services (including veterinary and research services) as shall be required in the Project Area, and shall cause such services to be made available to farmers in the Project Area through an adequate staff of officers trained in the techniques appropriate to the Project.

*Section 5.15.* (a) The Borrower shall exercise every right and recourse available to it to cause to be taken all such action as shall be required to assure that no use, other than domestic uses, will reduce the amounts of water available for purposes of the Project below the amounts needed therefor.

(b) The Borrower undertakes that it will promptly take or cause to be taken all such action as shall be required to assure that the land included in the Project



and the water made available therefor are, to the maximum extent possible, fully, effectively, and promptly utilized for agricultural purposes.

(c) The Borrower shall take or cause to be taken all action (including, if necessary, the issuance and application of suitable regulations) which shall be necessary on its part to ensure effective control of waters in the Project Area.

*Section 5.16.* Except as the Bank shall otherwise agree, the Borrower shall make suitable arrangements for the recovery, by way of charges, of (i) the cost of the services provided in respect of land cultivation, supply and marketing; (ii) the operating and maintenance costs of the irrigation system and the domestic water supply system in the Project Area; and (iii) as much as practicable in the circumstances of the monies directly invested in agriculture and irrigation water supply in the Project Area.

## *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 December 31, 1972, or such later date as may be agreed by the Bank.

*Section 7.02.* If this Agreement shall not have come into force and effect by January 15, 1968, this Agreement and all obligations of the parties hereunder shall terminate, unless the Bank, after consideration of the reasons for the delay, establishes a later date for purposes of this Section. The Bank shall promptly notify the Borrower of such later date.

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

*Section 7.04.* The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Borrower :

Plan Organization

Tehran, Iran

Cable address :

Barnameh

Tehran

For the Bank :

International Bank for Reconstruction and Development

1818 H Street, N.W.

Washington, D.C. 20433

United States of America

Cable address :

Intbafrad

Washington, D.C.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Agreement to be signed in their respective names and to be 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 I

## 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>
February 15, 1974 . . . . .	\$305,000	February 15, 1984 . . . . .	\$550,000
August 15, 1974 . . . . .	315,000	August 15, 1984 . . . . .	565,000
February 15, 1975 . . . . .	325,000	February 15, 1985 . . . . .	585,000
August 15, 1975 . . . . .	335,000	August 15, 1985 . . . . .	600,000
February 15, 1976 . . . . .	345,000	February 15, 1986 . . . . .	620,000
August 15, 1976 . . . . .	355,000	August 15, 1986 . . . . .	640,000
February 15, 1977 . . . . .	365,000	February 15, 1987 . . . . .	655,000
August 15, 1977 . . . . .	375,000	August 15, 1987 . . . . .	675,000
February 15, 1978 . . . . .	385,000	February 15, 1988 . . . . .	695,000
August 15, 1978 . . . . .	395,000	August 15, 1988 . . . . .	720,000
February 15, 1979 . . . . .	410,000	February 15, 1989 . . . . .	740,000
August 15, 1979 . . . . .	420,000	August 15, 1989 . . . . .	760,000
February 15, 1980 . . . . .	435,000	February 15, 1990 . . . . .	785,000
August 15, 1980 . . . . .	445,000	August 15, 1990 . . . . .	810,000
February 15, 1981 . . . . .	460,000	February 15, 1991 . . . . .	830,000
August 15, 1981 . . . . .	475,000	August 15, 1991 . . . . .	855,000
February 15, 1982 . . . . .	490,000	February 15, 1992 . . . . .	885,000
August 15, 1982 . . . . .	505,000	August 15, 1992 . . . . .	910,000
February 15, 1983 . . . . .	520,000	February 15, 1993 . . . . .	925,000
August 15, 1983 . . . . .	535,000		

\* 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>Premiums</i>
Not more than three years before maturity . . . . .	$\frac{1}{2}$ of 1%
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 . . . . .	2%
More than eleven years but not more than sixteen years before maturity . . . . .	3%
More than sixteen years but not more than twenty-one years before maturity . . . . .	4%
More than twenty-one years but not more than twenty-three years before maturity . . . . .	5%
More than twenty-three years before maturity . . . . .	6%

## SCHEDULE 2

## DESCRIPTION OF PROJECT

The Project is the first stage of a long-term program for the development of water resources and agriculture in the Project Area and consists of the following :

I. *Water Development.* This includes :

- (a) drilling of about 235 deep wells fully equipped with diesel or electric power, water control and distribution works;
- (b) construction of galleries consisting of central wells with horizontal tunnels in areas not connected with the main aquifer underlying the Project Area;
- (c) construction of local stream diversion works and canals for the purposes of surface water development; and
- (d) construction of domestic water supply facilities for villages including separate wells where necessary, storage tanks and hydrants.

II. *Agricultural Development.* This includes :

- (a) selection and improvement of about 34,000 hectares of land best suited for irrigation in the Project Area, including land preparation and leveling;
- (b) construction of irrigation canals;
- (c) improvement of about 5,500 hectares of range land;
- (d) establishment of about 3,400 hectares of deciduous orchards and 900 hectares of vineyards;
- (e) development of about 1,900 poultry and sheep breeding farms;
- (f) establishment and operation of an orchard tree nursery;
- (g) establishment and operation of experimental farms; and
- (h) technical, extension and veterinary services.

III. *Provision of Agricultural Machinery and Repair Services.* These include :

- (a) equipping, operating and maintaining tractor and mechanized cultivation services in each of the service districts; and
- (b) establishment and operation of a central repair service and equipping and operating mobile repair units.

IV. *Provision of Agricultural Supply and Marketing Services.* These include :

- (a) necessary farm supply services including the purchase and distribution of farm inputs such as fertilizers, seeds and insecticides, and credit therefor; and

- (b) necessary marketing facilities including storage buildings and equipment in villages and service districts, and marketing services including grading, packaging, transportation, financing and accounting.

V. Establishment of a training center and operation of a program for personnel training.

VI. Studies on the establishment of improved marketing and processing plants primarily for dairy products, fruits and vegetables, including studies on the impact of the Project on the Project Area.

VII. Feasibility studies and engineering design in respect of use of the water resources of the Taleghan River for further development of the Project Area.

The Project is expected to be completed by March 21, 1972.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 3, DATED 15 FEBRUARY 1961,  
AS AMENDED 9 FEBRUARY 1967

REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK TO MEMBER  
GOVERNMENTS

[Not published herein. See *United Nations, Treaty Series, Vol. 615. p. 98.*]