

No. 11225

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

**Loan Agreement—*Third Highway Project* (with annexed General
Conditions Applicable to Loan and Guarantee Agreements).
Signed at Washington on 17 February 1971**

Authentic text : English.

*Registered by the International Bank for Reconstruction and Development on
19 July 1971.*

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

**Contrat d'emprunt — *Troisième projet relatif aux routes* (avec,
en annexe, les Conditions générales applicables aux contrats
d'emprunt et de garantie). Signé à Washington le 17 février
1971**

Texte authentique : anglais.

*Enregistré par la Banque internationale pour la reconstruction et le développement
le 19 juillet 1971.*

LOAN AGREEMENT¹

AGREEMENT, dated February 17, 1971, between REPUBLIC OF FINLAND (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

Article I

GENERAL CONDITIONS; DEFINITIONS

Section 1.01. The parties to this Agreement accept all the provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated January 31, 1969,² with the same force and effect as if they were fully set forth herein, subject, however, to the deletion of Section 5.01 thereof (said General Conditions Applicable to Loan and Guarantee Agreements of the Bank, as so modified, being hereinafter called the General Conditions).

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth.

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 thirteen million dollars (\$13,000,000).

Section 2.02. The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement, as such Schedule shall be amended from time to time, for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 3 to this Agreement and to be financed under the Loan Agreement; provided, however, that, except as the Bank shall otherwise agree, no withdrawal shall be made on account of expenditures in the territories of any country which is not a member of the Bank

¹ Came into force on 14 May 1971, upon notification by the Bank to the Government of Finland.

² See p. 200 of this volume.

(other than Switzerland) or for goods produced in, or services supplied from, such territories.

Section 2.03. The Closing Date shall be June 30, 1974 or such other date as shall be agreed between the Borrower and the Bank.

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 withdrawn from time to time.

Section 2.05. The Borrower shall pay interest at the rate of seven and one-quarter per cent ($7\frac{1}{4}\%$) per annum on the principal amount of the Loan withdrawn and outstanding from time to time.

Section 2.06. Interest and other charges shall be payable semi-annually on February 1 and August 1 in each year.

Section 2.07. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 2 to this Agreement.

Section 2.08. 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 VIII of the General Conditions.

Section 2.09. The Minister of Finance of the Borrower and such other person or persons as he shall appoint in writing are designated as authorized representatives of the Borrower for the purposes of Section 8.10 of the General Conditions.

Article III

EXECUTION OF THE PROJECT

Section 3.01. The Borrower shall carry out the Project with due diligence and efficiency and in conformity with sound engineering, administrative and financial practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

Section 3.02. In carrying out the Project, the Borrower shall employ contractors acceptable to the Bank upon terms and conditions satisfactory to the Bank.

Section 3.03. (a) Except as the Bank shall otherwise agree, the goods and services required for the Project and to be financed out of the proceeds of the Loan shall be procured on the basis of international competition under procedures consistent with the *Guidelines for Procurement under World Bank Loans and IDA Credits*, published by the Bank in August 1969, and in accordance with, and subject to, the provisions set forth in Schedule 4 to this Agreement.

(b) Except as the Bank shall otherwise agree, all goods and services financed out of the proceeds of the Loan shall be used exclusively for the Project until its completion.

Section 3.04. (a) The Borrower shall furnish to the Bank, promptly upon their preparation, the plans, specifications and work schedules for the Project, and any material modifications or amplifications thereof, in such detail as the Bank shall reasonably request.

(b) The Borrower : (i) shall maintain records adequate to record the progress of the Project (including the cost thereof) and to identify the goods and services financed out of the proceeds of the Loan, and to disclose the use thereof in the Project; (ii) 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 (iii) shall furnish to the Bank all such information as the Bank shall reasonably request concerning the Project, the expenditure of the proceeds of the Loan and the goods and services financed out of such proceeds.

Section 3.05. The general design standards to be used for the roads included in the Project shall be as set forth in Schedule 5 to this Agreement, as modified from time to time by agreement between the Borrower and the Bank.

Article IV

OTHER COVENANTS

Section 4.01. (a) It is the mutual intention of the Borrower and the Bank that no other external debt shall enjoy any priority over the Loan or the Bonds by way of a lien on governmental assets.

(b) To that end the Borrower (i) represents that at the date of this Agreement no lien exists on any governmental assets as security for any external debt except as otherwise disclosed in writing by the Borrower to the Bank, and (ii) undertakes that if any such lien shall be created, it 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 in the creation of any such lien express provision will be made to that effect.

(c) The foregoing representation and undertaking shall not apply to : (i) any lien created on property, at the time of purchase thereof, solely as security for payment of the purchase price of such property; and (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

As used in this Section, the term “governmental assets” means 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 Suomen Pankki-Finlands Bank or any institution performing the functions of a central bank for the Borrower.

Section 4.02. The Borrower shall maintain or cause to be maintained records adequate to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition, in respect of the Project, of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

Section 4.03. The Borrower shall continue to cause all the roads and bridges of its public road network to be adequately maintained in accordance with sound engineering and highway practices and shall provide promptly as needed the funds, facilities, services and other resources required for such maintenance.

Section 4.04. (a) The Borrower shall ensure that the dimensions and axle loads of vehicles using its highways do not exceed limits appropriate to the design standards of the highways.

(b) The Borrower shall continue to maintain facilities adequate to collect, record and analyze, in accordance with appropriate statistical methods and procedures, such technical, economic and financial information as shall be reasonably required for the proper planning of maintenance, improvements and extensions of the Borrower’s public road network.

Section 4.05. The Borrower shall make its best efforts to ensure the timely execution of all ancillary works not included in the Project but necessary for the completion of the Project on schedule.

Article V

CONSULTATION, INFORMATION AND INSPECTION

Section 5.01. The Borrower and the Bank shall cooperate fully to ensure 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 :

- (a) exchange views through their representatives with regard to the performance of their respective obligations under the Loan Agreement, the administration, operations and financial condition, in respect of the Project, of the departments 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; and
- (b) 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, including its balance of payments, and the external debt of the Borrower, of any of its political subdivisions and of any agency of the Borrower or of any such political subdivision.

Section 5.02. (a) The Borrower shall furnish or cause to be furnished to the Bank all such information as the Bank shall reasonably request concerning the operations and financial condition, in respect of the Project, of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) 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 other obligations under the Loan Agreement.

Section 5.03. 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.

Article VI

TAXES AND RESTRICTIONS

Section 6.01. 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 foregoing 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 6.02. The Loan Agreement and the Bonds shall be free from any taxes on or in connection with the execution, issue, delivery or registration thereof imposed under the laws of the Borrower or laws in effect in its territories 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 6.03. The payment of the principal of, and interest and other charges on, the Loan and the Bonds shall be free from all restrictions, regulations, controls and moratoria of any nature imposed under the laws of the Borrower or laws in effect in its territories.

Article VII

REMEDIES OF THE BANK

Section 7.01. If any event specified in Section 7.01 of the General Conditions shall occur and shall continue for the period, if any, therein set forth, then at any subsequent time during the continuance thereof, the Bank, at its option, may by notice to the Borrower declare the principal of the Loan and of all the Bonds then outstanding to be due and payable immediately together with the interest and other charges thereon and upon any such declaration such principal, interest and charges shall become due and payable immediately, anything to the contrary in the Loan Agreement or in the Bonds notwithstanding.

Article VIII

TERMINATION

Section 8.01. The date May 17, 1971 is hereby specified for the purposes of Section 11.04 of the General Conditions.

Article IX

REPRESENTATIVE OF THE BORROWER; ADDRESSES

Section 9.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 10.03 of the General Conditions.

Section 9.02. The following addresses are specified for the purposes of Section 10.01 of the General Conditions :

For the Borrower :

Republic of Finland
Embassy of Finland
1900 Twenty-fourth Street, N.W.
Washington, D.C. 20008
United States of America

Cable address :
Finlandia
Washington, D.C.

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.

Republic of Finland :

By OLAVI MUNKKI
Authorized Representative

International Bank for Reconstruction and Development :

By J. BURKE KNAPP
Vice President

SCHEDULE 1

WITHDRAWAL OF THE PROCEEDS OF THE LOAN

1. The table below sets forth the categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each category and the percentage of eligible expenditures so to be financed in each category :

<i>Category</i>	<i>Amount of the Loan Allocated (Expressed in Dollar Equivalent)</i>	<i>% of Expenditures to be Financed</i>
I. Expressway construction	7,100,000	35% of total expenditures (representing the estimated foreign expenditure component)
II. Road paving	4,700,000	45% of total expenditures (representing the estimated foreign expenditure component)
III. Unallocated	1,200,000	
	TOTAL <u>13,000,000</u>	

2. For the purposes of this Schedule :

- (a) the term "foreign expenditures" means expenditures for goods produced in, or services supplied from, the territories, and in the currency, of any member of the Bank (other than the Borrower) or of Switzerland;
- (b) the term "local expenditures" means expenditures in the currency of the Borrower, or for goods produced in, or services supplied from, the territories of the Borrower; and
- (c) the term "total expenditures" means the aggregate of foreign and local expenditures.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of :

- (a) expenditures prior to the date of this Agreement, and

(b) payments for taxes imposed under the laws of the Borrower or laws in effect in its territories on goods or services, or on the importation, manufacture, procurement or supply thereof. To the extent that the amount represented by the percentage set forth in the third column of the table in paragraph 1 above would exceed the amount payable net of all such taxes, such percentage shall be reduced to ensure that no proceeds of the Loan will be withdrawn on account of payments for such taxes.

4. Notwithstanding the allocation of an amount of the Loan set forth in the second column of the table in paragraph 1 above :

- (a) if the estimate of the expenditures under any Category shall decrease, the amount of the Loan then allocated to such Category and no longer required therefor will be reallocated by the Bank by increasing correspondingly the unallocated amount of the Loan;
- (b) if the estimate of the expenditures under any Category shall increase, the percentage set forth in the third column of the table in paragraph 1 above in respect of such expenditures shall be applied to the amount of such increase, and a corresponding amount will be allocated by the Bank, at the request of the Borrower, to such Category from the unallocated amount of the Loan, subject, however, to the requirements for contingencies, as determined by the Bank, in respect of any other expenditures.

5. Notwithstanding the percentages set forth in the third column of the table in paragraph 1 above, if the estimate of total expenditures under Category I or II shall increase and no proceeds of the Loan are available for reallocation to such Category, the Bank may, by notice to the Borrower, modify the percentage then applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made.

SCHEDULE 2

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>
August 1, 1974	350,000	August 1, 1980	535,000
February 1, 1975	360,000	February 1, 1981	555,000
August 1, 1975	375,000	August 1, 1981	575,000
February 1, 1976	390,000	February 1, 1982	595,000
August 1, 1976	400,000	August 1, 1982	615,000
February 1, 1977	415,000	February 1, 1983	640,000
August 1, 1977	430,000	August 1, 1983	660,000
February 1, 1978	450,000	February 1, 1984	685,000
August 1, 1978	465,000	August 1, 1984	710,000
February 1, 1979	480,000	February 1, 1985	735,000
August 1, 1979	500,000	August 1, 1985	765,000
February 1, 1980	515,000	February 1, 1986	800,000

* To the extent that any portion of the Loan is repayable in a currency other than dollars (see General Conditions, Section 4.02), 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 portion of the principal amount of the Loan pursuant to Section 3.05 (b) of the General Conditions or on the redemption of any Bond prior to its maturity pursuant to Section 8.15 of the General Conditions :

<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	2½%
More than six years but not more than eleven years before maturity	4%
More than eleven years but not more than thirteen years before maturity	6%
More than thirteen years before maturity	7½%

SCHEDULE 3

DESCRIPTION OF THE PROJECT

The Project consists of :

- (a) The construction of about 22 km of a four-lane divided expressway between Tattariharju and Jarvenpaa, including the construction of five interchanges and the construction and/or improvement of about 36 km of approach roads.
- (b) The paving of about 910 km of roads included in the Borrower's 1971 paving program.

The Project is expected to be completed by December 31, 1973.

SCHEDULE 4

PROCUREMENT

1. The Project will be carried out on the basis of unit price contracts. In respect of such contracts :

(a) All contractors shall be qualified. Contractors on the register of the Borrower's National Board of Public Roads and Waterways will be permitted to bid provided they meet the required standards; contractors who are not on the register will submit statements of qualification to be permitted to bid. Those contractors who must submit statements of qualification will be given 45 days to do so. The Borrower shall, before qualification is invited, inform the Bank in detail of the procedure to be followed, including the text of the invitations to prequalify for the bidding, and shall introduce such modifications in said procedure as the Bank shall reasonably request. The list of prequalified bidders, together with a statement of their qualifications and the reasons for the exclusion of any applicant for prequalification, shall be furnished by the Borrower to the Bank for its comments before the applicants are notified and the Borrower shall make such additions or deletions from the said list as the Bank shall reasonably request.

(b) Before bids are invited, the Borrower and the Bank shall agree on the text of the invitations to bid and the specifications and other bidding documents. Any further modification or addition to the bidding documents shall be made only after the Bank and the Borrower have agreed to such modification or addition and before it is issued to the prospective bidders. A period of at least 60 days will be allowed for submission of proposals from prequalified contractors. Proposals will be accompanied by a bid bond or bank guarantee amounting to not less than 2% of the estimated contract value.

(c) Non-Finnish contractors will not be required to register in Finland as a condition of bidding for a contract. But where said registration is required of a non-Finnish contractor after he has been awarded the contract, the Borrower shall take such action as may be practicable to facilitate his registration.

(d) After bids have been received and evaluated, the Borrower shall, before a final decision on the award is made, inform the Bank of the name of the bidder to whom it intends to award the contract and shall furnish to the Bank, in sufficient time for its review, a detailed report on the evaluation and comparison of the bids received, together with the reasons for the intended award. The Bank shall promptly inform the Borrower whether it has any objection to the intended award and shall state the reasons for any objection it may have.

(e) If the contract shall be awarded over the Bank's reasonable objection or if its terms and conditions shall, without the Bank's concurrence, materially differ from those on which bids were asked, no expenditures thereunder shall be financed out of the proceeds of the Loan.

(f) Two copies of the contract shall be furnished to the Bank promptly after its execution and prior to the submission to the Bank of the first application for withdrawal of funds from the Loan Account in respect of any such contract.

2. Provision shall be made in the contracts of civil works for :

(a) Successful bidders to provide a performance guarantee in the form of a bank guarantee in an amount of not less than 10% of the contract price or a performance bond in an amount of 100% of the contract price. Such guarantee or performance bond shall be given by an acceptable financial institution and shall remain in effect until three months after completion of the works. The amount of the performance guarantee in respect of the expressway construction may be reduced by not more than one-half after about 75% of the contract work has been completed.

(b) Retention of 5% of the value of the works on the contractor's monthly invoices, and in the case of the expressway construction, portions of amounts retained may be returned before completion of the works against a satisfactory bank guarantee.

(c) Successful bidders to provide a bank guarantee by acceptable financial institutions in respect of defective work; this guarantee shall be not less than 2% of the contract price in the case of the expressway construction and 3% of such price in the case of the road paving and will remain in effect until 12 months after the termination of the performance guarantee referred to above.

(d) An escalation clause (referred to in paragraph 4.4 of the *Guidelines for Procurement under World Bank Loans and IDA Credits*, published by the Bank in August 1969) in the case of expressway construction only.

(e) Non-Finnish contractors to convert into foreign exchange a reasonable portion of the contract payments.

3. For the purpose of bidding on the Project, the expressway will be divided into three bidding sections and the paving works will be grouped into twenty-six bidding units. Contractors who have been prequalified to do so may bid for one or more of the expressway sections and/or for one or more of the paving units. Bids for the expressway sections will be called concurrently; contracts will be awarded on the basis of the lowest aggregate total of evaluated bids for the three expressway sections. Bids for the road paving units will be called concurrently; contracts will be awarded on the basis of the lowest aggregate total of evaluated bids for the twenty-six paving units. The bidding sections and units will be as set forth in Annex A to this Schedule.

ANNEX A TO SCHEDULE 4

BIDDING SECTIONS AND UNITS

A. Expressway Construction

<i>Bidding Sections</i>	<i>Length of Expressway Section (km)</i>	<i>Total Length of Approach Roads (km)</i>	<i>Number of Interchanges</i>
Section 1	6	14	2
2	9	9	2
3	7	13	1
	—	—	—
	22	36	5

B. Road Paving

<i>Bidding Units</i>	<i>Lengths by Type of Pavement (km)</i>			<i>Total Length (km)</i>
	<i>Asphaltic Concrete</i>	<i>Gravel Asphaltic Concrete</i>	<i>Bituminous Stabilized Base</i>	
<i>Uusimaa District</i>				
Unit A	2	34	17	53
B	25	—	—	25
C	26	—	—	26
D	24	—	—	24
E	—	12	—	12
F	18	—	—	18
G	14	15	—	29
H	28	1	8	27
	—	—	—	—
Sub-total	137	62	25	224

<i>Bidding Units</i>	<i>Lengths by Type of Pavement (km)</i>			<i>Total Length (km)</i>
	<i>Asphaltic Concrete</i>	<i>Gravel Asphaltic Concrete</i>	<i>Bituminous Stabilized Base</i>	
<i>Turku District</i>				
Unit A	20	8	—	28
B	38	9	5	52
C	23	34	—	57
D	19	—	—	19
E	31	—	—	31
F	—	45	4	49
G	14	14	—	28
Sub-total	145	110	9	264
<i>Hame District</i>				
Unit A	—	36	8	44
B	14	37	—	51
C	—	36	11	47
D	—	41	—	41
Sub-total	14	150	19	183
<i>Kymi District</i>				
Unit A	—	37	11	48
B	—	44	—	44
C	—	17	4	21
Sub-total	—	98	15	113
<i>Oulu District</i>				
Unit A	—	28	—	28
B	—	34	—	34
Sub-total	—	62	—	62
<i>Lappi District</i>				
Unit A	15	11	—	26
B	12	16	—	38
Sub-total	27	37	—	64
GRAND TOTAL	323	519	68	910

SCHEDULE 5

DESIGN STANDARDS

	Unit	Road Paving		
		Expressway Construction	Class I Road (Main)	Class II Road (Secondary)
Design Speed	km/h	120-140	80-100	60-100
Minimum curves	m	1100-1500	350-600	180-600
Width of carriageway	m	7.50	7.00-7.50	6.00-7.00
Width of shoulders	m	3.00	1.50-2.75	0.50
Maximum grade	%	4	5	6
Stopping sight distance	m	210-245	100-150	75-150
Type of Wearing Surface		Asphaltic Concrete	Asphaltic concrete, or gravel asphaltic concrete, or bit- uminous stabilized base	
Design Loading		8 metric tons on a single axle and 13 metric tons on tandem axles		

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

GENERAL CONDITIONS, DATED 31 JANUARY 1969

GENERAL CONDITIONS APPLICABLE TO LOAN AND GUARANTEE AGREEMENTS

[Not published herein. See United Nations, Treaty Series, vol. 691, p. 300.]