

No. 10943

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

Loan Agreement—*Highway Project* (with annexed General Conditions Applicable to Loan and Guarantee Agreements). Signed at Washington on 12 October 1970

Authentic text: English.

Registered by the International Bank for Reconstruction and Development on 5 February 1971.

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

Contrat d'emprunt — *Projet relatif au réseau routier* (avec, en annexe, les Conditions générales applicables aux contrats d'emprunt et de garantie). Signé à Washington le 12 octobre 1970

Texte authentique : anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 5 février 1971.

LOAN AGREEMENT¹

AGREEMENT, dated October 12, 1970, between REPUBLIC OF ICELAND (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 four million one hundred thousand dollars (\$4,100,000).

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 The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement, as such Schedule shall be amended from time to time, for expenditures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 Agree-

¹ Came into force on 3 December 1970, upon notification by the Bank to the Government of Iceland.

² See p. 166 of this volume.

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

Section 2.03. The Closing Date shall be June 30, 1975 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-fourth 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 April 1 and October 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 order to assist the Borrower in the supervision of the construction of Part A of the Project, the Borrower shall employ engineering consultants acceptable to the Bank upon terms and conditions satisfactory to the Bank.

Section 3.03. (a) In carrying out Part A of the Project, the Borrower shall employ contractors acceptable to the Bank upon terms and conditions satisfactory to the Bank.

(b) The Borrower will permit, under procedures specified in applicable legislation and regulations, contractors referred to in paragraph (a) of this Section to employ foreign staff as reasonably required to carry out Part A of the Project.

Section 3.04. (a) Except as the Bank shall otherwise agree, (i) the goods and services (other than consultants' services) required for the Project and to be financed out of the proceeds of the Loan shall be procured on the basis of international competitive bidding in accordance with the *Guidelines for Procurement under World Bank Loans and IDA Credits*, published by the Bank in August 1969, and in accordance with such other procedures supplementary thereto as are set forth in Schedule 4 to this Agreement and (ii) contracts for the procurement of all goods and services to be financed out of the proceeds of the Loan shall (except as otherwise provided in such Schedule) be subject to the prior approval of the Bank.

(b) The Borrower undertakes to insure, or make adequate provision for the insurance of, the imported goods to be financed out of the proceeds of the Loan against marine, transit and other hazards incident to the 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.

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

Section 3.05. (a) The Borrower shall furnish to the Bank, promptly upon their preparation, the plans, specifications and construction 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 3.06. The general design standards for the highways included in Part A of the Project shall be as set forth in Schedule 5 to this Agreement, as such Schedule shall be modified from time to time by agreement between the Borrower and the Bank.

Section 3.07. Except as the Bank shall otherwise agree, the Borrower will complete the construction of (i) the first 2 km of Vesturlandsvegur between Reykjavik and the sections to be constructed and improved under Part A (i) of the Project and (ii) the section of Sudurlandsvegur lying between the sections to be constructed and improved under Part A (ii) of the Project, in accordance with standards and specifications satisfactory to the Bank not later than the time of completion of the respective adjacent highway sections included in the Project.

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 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 Sedlabanki Islands (the Central Bank of Iceland) 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. (a) The Borrower shall continue to maintain and repair all highways in its public road system in accordance with sound engineering and financial practices and shall provide promptly as needed the funds, equipment, workshop facilities, labor and other resources required for the purpose.

(b) The Borrower shall take such steps as shall be reasonably required to ensure that the dimensions and axle-loads of vehicles using the highways in its public road system are consistent with the structural and geometric design standards of such highways.

(c) The Borrower shall collect and record in accordance with appropriate statistical methods and procedures such technical, economic and financial information as shall be reasonably required for proper planning of maintenance, improvements and extensions of the public road system of the Borrower.

Article V

CONSULTATION, INFORMATION AND INSPECTION

Section 5.01. 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:

- (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 January 2, 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 Iceland
Ministry of Finance
Reykjavik, Iceland

and:

Sedlabanki Islands
Ríkisabyrgdasjodur
Austurstraeti 11
Reykjavik, Iceland

Cable address:

Ministry of Finance
Reykjavik

and:

Centralbank
Reykjavik

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 Iceland:

By MAGNÚS V. MAGNÚSSON
Authorized Representative

International Bank for Reconstruction and Development:

By J. BURKE KNAPP
Vice President

SCHEDULE I

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. Road construction and improvement	2,690,000	50% of total expenditures (representing the estimated foreign expenditure component)
II. Consultants' services for supervision of construction	300,000	50% of total expenditures (representing the estimated foreign expenditure component)
III. Road maintenance equipment, including spare parts	517,000	100% of foreign expenditures

<i>Category</i>	<i>Amount of the Loan Allocated (Expressed in Dollar Equivalent)</i>	<i>% of Expenditures to be Financed</i>
IV. Unallocated	593,000	
TOTAL	<u>4,100,000</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, except that withdrawals may be made in respect of Category I on account of expenditures incurred after September 1, 1970; 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>
April 1, 1975	70,000	April 1, 1983	125,000
October 1, 1975	70,000	October 1, 1983	130,000
April 1, 1976	75,000	April 1, 1984	135,000
October 1, 1976	80,000	October 1, 1984	135,000
April 1, 1977	80,000	April 1, 1985	140,000
October 1, 1977	85,000	October 1, 1985	150,000
April 1, 1978	85,000	April 1, 1986	155,000
October 1, 1978	90,000	October 1, 1986	160,000
April 1, 1979	95,000	April 1, 1987	165,000
October 1, 1979	95,000	October 1, 1987	170,000
April 1, 1980	100,000	April 1, 1988	175,000
October 1, 1980	105,000	October 1, 1988	185,000
April 1, 1981	105,000	April 1, 1989	190,000
October 1, 1981	110,000	October 1, 1989	195,000
April 1, 1982	115,000	April 1, 1990	205,000
October 1, 1982	120,000	October 1, 1990	205,000

* 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	1 1/4%
More than three years but not more than six years before maturity	2%
More than six years but not more than eleven years before maturity	3 1/2%
More than eleven years but not more than sixteen years before maturity	5 1/4%
More than sixteen years but not more than eighteen years before maturity	6 1/4%
More than eighteen years before maturity	7 1/4%

SCHEDULE 3

DESCRIPTION OF THE PROJECT

The Project consists of:

- A. The construction and improvement to two-lane surfaced standards of about 48 kilometers of the following roads:
 - (i) Vesturlandsvegur, Sections VV2, 3 and 4 (about 14 km);
 - (ii) Sudurlandsvegur, Sections SV1, 5, 6, 7 and 8 (about 34 km); and
- B. The provision of road maintenance equipment.

The Project is expected to be completed by December 31, 1974.

SCHEDULE 4

PROCUREMENT

1. With respect to contracts for goods and services in Category I of the allocation of the proceeds of the Loan, the following procedures shall apply:

(a) For the purpose of bidding, the construction shall be divided into 7 separate contracts, in two groups as follows:

Group I	(1) Section VV2
	(2) Sections SV7 and 8
Group II	(1) Section VV3
	(2) Section VV4
	(3) Section SV1
	(4) Section SV5
	(5) Section SV6

For each group, bids shall be called simultaneously for all contracts in the group. According to their prequalification, bidders shall have the opportunity to bid for one or any combination of the contracts in each group. Successful bidders in Group I shall, if so prequalified, have the opportunity of bidding in Group II. Evaluation of bids shall be made on the basis of the lowest evaluated bid or bids.

(b) Prior to issuing invitations for bids, the Borrower will submit to the Bank for approval a copy of the bid documents and a list or lists of prequalified contractors.

(c) The time interval referred to in Section 3.1 of the *Guidelines for Procurement under World Bank Loans and IDA Credits* between the invitation to bid and bid opening shall be not less than 60 days.

(d) Bid bonds shall be required of bidders in accordance with Section 2.5 of said Guidelines.

(e) The successful bidder or bidders shall furnish a performance bond or bonds to the value of ten per cent (10%) of the contract price or prices, which bond or bonds shall remain in force until six months after completion of the works to which the bond or bonds apply. In addition, the contract will provide for retention money at least equal to 10% of the amount payable under each monthly invoice until a total amount equal to 5% of the total contracting price shall have been reached.

(f) Prior to awarding any contract, the Borrower shall submit to the Bank for approval an official record of the opening of bids, an evaluation of the bids received, the Consultants' recommendations to the Borrower, if any, on the bidding and the Borrower's proposal concerning the contract and the award.

(g) As soon as possible after the execution of any contract and prior to the submission to the Bank of the first application for withdrawal of funds from the Loan Account in respect thereof, a certified copy of such contract shall be sent to the Bank.

2. With respect to goods in Category III of the allocation of the proceeds of the Loan, the following procedures shall apply:

(a) Identical or similar items of equipment will be grouped together wherever practicable for purposes of bidding and procurement, and such grouping of items will be subject to the approval of the Bank. In addition, each item of such equipment will, wherever practicable, be procured with an initial supply of spare parts equal to approximately 10% of the basic cost of the item.

(b) Prior to inviting bids with respect to goods in Category III of said Schedule 1, information concerning the advertising coverage as well as the bidding documents and draft contracts shall be submitted to the Bank for its approval. Subsequent to such approval, bids will be invited and the time interval referred to in Section 3.1 of the Guidelines between the invitation to bid and bid opening shall be equal to at least 60 days.

(c) Before awards of contracts are made with respect to goods in such Category III of said Schedule 1, the Borrower shall send to the Bank for its approval an evaluation of the bids received and the Borrower's proposals concerning the contract and the award. Bids will be evaluated in accordance with Section 3.7 of the Guidelines, taking into account the advantages resulting from the standardization of equipment and the manufacturer's spares and servicing facilities. If it is proposed to award the contract to other than the bidder offering the lowest evaluated price, the reason for such an exception to Section 3.9 of the Guidelines shall be stated. One conformed copy of the contract for such goods shall promptly be sent to the Bank.

SCHEDULE 5

DESIGN STANDARDS

	<i>Design Speed (km/h)</i>	<i>Maximum Gradient (%)</i>	<i>Max. Length of Max. Gradient (m)</i>	<i>Pavement Width (m)</i>	<i>Shoulder Width (m)</i>	<i>Surface Type</i>
PROJECT SECTIONS						
<i>Sudurlandsvegur</i>						
SV1	100	2.0	40	7.3	1.5	Asphalt concrete
SV5 and SV6 up to km 33.500	80	6.0	1,000	7.3	3.0	Oil gravel
SV6 from km 33.500; SV 7 up to km 36.660	50	7.2	169	7.3	3.0	Oil gravel
SV7 from km 36.660 up to km 37.700	100	2.62	0	7.3	3.0	Oil gravel
SV7 from km 37.700 and SV8	100	2.50	25	7.3	1.5	Oil gravel
<i>Vesturlandsvegur</i>						
VV2	100	2.15	500	7.5	3.0	Asphalt concrete
VV3 to km 10.000	90	1.7	350	7.3	1.5	Asphalt concrete
VV3 from km 10.000 up to km 11.200	60	6.0	200	7.3	1.5	Asphalt concrete
VV3 from km 11.200 and VV4	80	6.0	150	7.3	1.5	Asphalt concrete
STRUCTURAL LOADING						
Structures designed for 34 ton truck combinations with a maximum tandem axle of 18 tons.						

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.]