

No. 11432

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

Loan Agreement—*Telecommunications Project* (with annexed General Conditions Applicable to Loan and Guarantee Agreements and Project Agreement between the Bank and the Telephone Company of Iran). Signed at Washington on 18 December 1970

Authentic text : English.

Registered by the International Bank for Reconstruction and Development on 16 December 1971.

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

Contrat d'emprunt — *Projet relatif aux télécommunications* (avec, en annexe, les Conditions générales applicables aux contrats d'emprunt et de garantie et le Contrat relatif au Projet entre la Banque et la Compagnie iranienne des téléphones). Signé à Washington le 18 décembre 1970

Texte authentique : anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 16 décembre 1971.

LOAN AGREEMENT¹

AGREEMENT, dated December 18, 1970, between IRAN (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS (A) The Project described in Schedule 3 to this Agreement will be carried out by the Telephone Company of Iran, and any successor or successors thereto, with the Borrower's assistance and, as part of such assistance, the Borrower will make available to the Telephone Company of Iran, and any successor or successors thereto, the proceeds of the Loan as hereinafter provided; and

(B) The Bank is willing to make a loan available upon the terms and conditions hereinafter set forth and in a project agreement of even date herewith² between the Bank and the Telephone Company of Iran;

NOW THEREFORE the parties hereto hereby agree as follows :

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, 1969,³ 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 and the following additional terms have the following meanings :

(a) "Project Agreement" means the agreement between the Bank and the Telephone Company of Iran of even date herewith, as the same may be amended from time to time, and such term includes all schedules to the Project Agreement;

(b) "Subsidiary Loan Agreement" means the agreement to be entered

¹ Came into force on 30 July 1971, upon notification by the Bank to the Government of Iran.

² See p. 132 of this volume.

³ *Ibid.*

into between the Borrower and the Telephone Company of Iran pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Loan Agreement;

(c) "TCI" means the Telephone Company of Iran, a joint stock company organized and operating in accordance with the Law dated the 25th of Azar 1331 and with its Charter (*assasnameh*), enacted pursuant to the said Law, and shall include the Company or any other successor or successors thereto;

(d) "PTT" means the Borrower's Ministry of Posts, Telegraphs and Telephones;

(e) "Plan Law" means the Law dated the 27th of Esfand 1346 providing for the Fourth National Five Year Development Plan of the Borrower, together with any amendment or amendments thereof;

(f) "Plan Organization" means the Plan Organization, the functions and responsibilities of which are defined in the Plan Law, or any other organization or organizations which may be charged hereafter with functions and responsibilities of a similar scope and character, and shall include any successor or successors thereto;

(g) "Program" means the telecommunications development program of PTT and TCI under the Plan Law; and

(h) "Company" means the national telecommunications company referred to in Section 4.04 of this Agreement, and any successor or successors thereto.

Article I

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in the Loan Agreement set forth or referred to, an amount in various currencies equivalent to thirty-six million dollars (\$36,000,000).

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

Section 2.03. The Closing Date shall be March 31, 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-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 May 1 and November 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 Managing Director of the Plan Organization 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. (a) The Borrower shall cause TCI to carry out the Project with due diligence and efficiency and in conformity with sound administrative, financial, engineering and telecommunications public utility practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

(b) The Borrower undertakes to relend the proceeds of the Loan to TCI under a subsidiary loan agreement to be entered into between the Borrower and TCI, for a period of 20 years including 5 years of grace at an interest rate of seven and one-quarter per cent ($7\frac{1}{4}\%$) per annum and under such other terms and conditions as shall be satisfactory to the Bank.

(c) The Borrower undertakes to exercise its rights under the Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan, and except as the Bank shall otherwise agree, the Borrower shall not assign, nor amend, abrogate or waive the Subsidiary Loan Agreement or any provision thereof.

(d) The Borrower undertakes to take and to cause PTT to take all action which shall be necessary to enable TCI to perform all of its obligations under the Project Agreement and the Subsidiary Loan Agreement and shall not

take or permit to be taken any action which might interfere with such performance.

Section 3.02. In carrying out Part 4 of the Project, the Borrower shall employ or cause TCI to employ qualified and experienced consultants 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 pursuant to the provisions set forth or referred to in Section 2.02 (a) of the Project Agreement.

(b) The Borrower shall cause TCI to insure, or to 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 TCI to replace or repair such goods.

(c) Except as the Bank shall otherwise agree, the Borrower shall cause all goods and services financed out of the proceeds of the Loan to be used exclusively for the Project.

Section 3.04. (a) The Borrower shall cause to be furnished 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 shall or shall cause TCI to : (i) 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) 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) 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.

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 Bank Markazi Iran or any institution performing the functions of a central bank for the Borrower.

Section 4.02. (a) The Borrower shall cause TCI to maintain records adequate to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of TCI.

(b) The Borrower shall cause TCI to : (i) have its accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with sound auditing principles consistently applied, by independent auditors acceptable to the Bank; (ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each year, (A) certified copies of its financial statements for such year as so audited and (B) the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and (iii) furnish to the Bank such other information concerning the accounts and financial statements of TCI and the audit thereof as the Bank shall from time to time reasonably request.

Section 4.03. The Borrower shall cause TCI to take out and maintain with responsible insurers, or to make other provision satisfactory to the Bank for, insurance against such risks and in such amounts as shall be consistent with sound practice.

Section 4.04. The Borrower undertakes that :

- (i) the Company, once established, will function under a charter (*assasnameh*) in form and substance mutually satisfactory to the Borrower and the Bank and have such powers, management, staff, resources, capital structure and financial policies as are necessary to carry out its responsibilities with due

diligence and efficiency and in conformity with sound administrative, engineering, public utility and financial practices;

- (ii) promptly after its establishment and by a date not later than three months from the Effective Date, the Borrower will transfer or cause to be transferred to such Company the properties and facilities of TCI and the properties and facilities relating to the telecommunications operations of PTT, together with all assets and liabilities relating thereto including all existing rights, privileges and obligations of TCI and of the Telecommunications Department of PTT.

Section 4.05. Except as the Bank shall otherwise agree, the Borrower shall ensure that the Company referred to in Section 4.04 shall not incur any debt unless the Company's net revenue for the fiscal year next preceding the date of such incurrence or for a later twelve-month period ended prior to the date of such incurrence, whichever is the greater, shall be not less than 2.0 times the maximum debt service requirements for any succeeding fiscal year on all the Company's debt, including the debt to be incurred. For the purposes of this Section :

- (a) the term " debt " means all debt, including debt assumed or guaranteed by the Company, except debt incurred in the ordinary course of business and maturing by its terms on demand or less than one year after its incurrence;
- (b) the term " incur " with reference to any debt includes any modification of the terms of payment of such debt. Debt shall be deemed to be incurred on the date of execution and delivery of a loan contract or agreement providing for such debt or, in the case of a guarantee of debt, on the date of execution and delivery of the contract providing for such guarantee;
- (c) the term " net revenue " means gross operating revenue, adjusted to take account of tariffs in effect at the time of the incurrence of debt even though they were not in effect during the entire fiscal year or twelve-month period to which such revenues relate, less all operating expenses, including adequate maintenance, taxes, if any, and administrative expenses, but before provision for depreciation and debt service requirements;
- (d) the term " debt service requirements " means the aggregate amount of amortization (including sinking fund payments, if any), interest and other charges on debt; and
- (e) whenever it shall be necessary to value in the currency of the Borrower, debt payable in another currency, such valuation shall be made on the basis of the rate of exchange at which such other currency is obtainable by the Company, at the time such valuation is made, for the purposes of servicing such debt, or, if such other currency is not obtainable, at the rate of exchange that will be reasonably determined by the Bank.

Section 4.06. (a) Commencing with a date not later than March 21, 1974, the Borrower undertakes that it will take or cause to be taken from time to time all necessary steps (including, but without limitation, adjustments in rates and charges for telecommunications services) as shall be required to provide the Company with revenues sufficient to produce an annual rate of return of not less than 9% on the value of the Company's net fixed assets in operation, or such other reasonable rate as may be mutually acceptable to the Borrower and the Bank.

(b) For the purposes of subparagraph (a) :

- (i) The annual rate of return shall be calculated by relating the net operating income for the year in question to the average of the value of the net fixed assets of the Company in operation at the beginning and at the end of that year.
- (ii) The " value of net fixed assets in operation " shall mean the gross book value of such assets, less the amount of accumulated depreciation, as valued from time to time in accordance with sound and consistently maintained methods of valuation acceptable to the Bank.
- (iii) The " net operating income " will be determined by subtracting from gross revenues all operating and administrating expenses, including adequate maintenance, taxes (if any) and provision for depreciation on all depreciable assets computed in accordance with the straight-line method at an average rate of not less than 4½% per annum of the value of the gross fixed assets as shown in the balance sheets of the Borrower, but excluding interest and other charges on debt.

Section 4.07. The Borrower undertakes to complete or cause to be completed, by not later than October 31, 1971, an inventory of all the telecommunications facilities, machinery, equipment and property of the Telecommunications Department of the PTT and shall assign such values thereto, based on replacement cost and remaining economic lives as shall be satisfactory to the Bank.

Section 4.08. (a) After the establishment of the Company, the Borrower undertakes, without any derogation from its obligations under this Agreement, to cause the Company to carry out the obligations of TCI under the Project Agreement and the Subsidiary Loan Agreement.

(b) The Borrower undertakes to furnish to the Bank by a date not later than four months from the Effective Date :

- (i) evidence satisfactory to the Bank that the obligations of TCI under the Project Agreement and Subsidiary Loan Agreement have been validly assumed by the Company and that such corporate or governmental action as shall be necessary for this purpose shall have been taken; and
- (ii) an opinion or opinions satisfactory to the Bank of counsel acceptable to the Bank showing on behalf of the Company that the Project Agreement

and Subsidiary Loan Agreement constitute valid and binding obligations of the Company in accordance with their terms.

Section 4.09. Except as the Bank shall otherwise agree, the Borrower undertakes to ensure that no expenditures for any major expansion in telecommunications facilities of the Company (other than as included in the Program) will be undertaken prior to the completion of the Project. For purposes of this Section, the term "major expansion" shall mean any scheme or project the total expenditures of which are expected to exceed ten million dollars (\$10,000,000).

Section 4.10. (a) Except as the Borrower and the Bank shall otherwise agree, the Borrower undertakes to take such action as shall be necessary to ensure that, after March 21, 1973, the Company's ratio of debt to equity shall not exceed 50:50.

(b) For purposes of this Section, the following terms shall have the following meanings :

- (i) "debt" means all debt, including debt assumed or guaranteed by the Company, except debt incurred in the ordinary course of business and maturing by its terms on demand or less than one year after the date on which it is originally incurred, and debt shall be deemed to be incurred on the date of execution and delivery of a loan contract or agreement providing for such debt or, in the case of a guarantee of debt, on the date of execution and delivery of the contract providing for such guarantee;
- (ii) "equity" means the book value of :
 - (A) the Company's share capital;
 - (B) the Borrower's capital contributions to the Company for its facilities and operations;
 - (C) the Company's legal and other reserves and the cumulative earnings generated by and retained in the Company's operations; and
 - (D) amounts corresponding to appropriate revaluations, if any, of the Company's facilities, calculated in accordance with methods acceptable to the Bank.

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 performance by TCI of its obligations under the Project Agreement, the administration, operations and financial condition of TCI and, 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, administration and financial condition of TCI and, 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 or the performance by TCI of its obligations under the Project Agreement and the Subsidiary Loan Agreement.

Section 5.03. The Borrower shall afford all reasonable opportunity for accredited representatives of the Bank to inspect all plants, sites, works, property and equipment of TCI and PTT and 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, the Project 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 or in Section 7.02 of this Agreement 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.

Section 7.02. For the purposes of Section 7.01 of the General Conditions, the following additional events are specified :

(a) A default shall occur in the performance of any obligation on the part of TCI under the Project Agreement and such default shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower and TCI.

(b) After establishment of the Company, a default shall occur on the part of the Company under the Project Agreement and such default shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower and the Company.

(c) TCI shall have been unable to pay its debts as they mature or any action or proceedings shall have been taken by TCI or by others whereby any of the property of TCI shall or may be distributed among its creditors.

(d) After establishment of the Company, the Company shall have become unable to pay its debts as they mature or any action or proceeding shall have been taken by the Company or by others whereby any of the property of the Company shall or may be distributed among its creditors.

(e) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of TCI or for the suspension of its operations without the prior agreement of the Bank.

(f) After establishment of the Company, the Borrower or any other

authority having jurisdiction shall have taken any action for the dissolution or disestablishment of the Company or for the suspension of its operations without the prior agreement of the Bank.

(g) Any material change in the structure, organization, powers or responsibilities of TCI shall have been made so as to adversely affect TCI's ability to carry out the Project or TCI's operations or TCI's ability to carry out its obligations under the Project Agreement or the Subsidiary Loan Agreement and such event shall continue for a period of thirty days after notice thereof shall have been given by the Bank to the Borrower and TCI.

(h) After establishment of the Company, any material change in the structure, organization, powers or responsibilities of the Company shall have been made so as to adversely affect the Company's ability to carry out the Project or the Company's operations or the Company's ability to carry out its obligations under the Project Agreement or the Subsidiary Loan Agreement and such event shall continue for a period of thirty days after notice thereof shall have been given by the Bank to the Borrower and the Company.

(i) A default shall have occurred in the performance of any covenant or agreement on the part of the Borrower or TCI under the Subsidiary Loan Agreement and such default shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower.

(j) After establishment of the Company, a default shall have occurred in the performance of any covenant or agreement on the part of the Borrower or the Company under the Subsidiary Loan Agreement and such default shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower.

Section 7.03. For the purposes of Section 6.02 of the General Conditions, the following additional events are specified :

(a) An extraordinary situation shall have arisen which shall make it improbable that TCI will be able to perform its obligations under the Project Agreement.

(b) An extraordinary situation shall have arisen which shall make it improbable that the Company, once established, will be able to perform its obligations under the Project Agreement.

Article VIII

EFFECTIVE DATE; TERMINATION

Section 8.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 11.01 (c) of the General Conditions :

(a) The execution and delivery of the Project Agreement on behalf of TCI have

been duly authorized or ratified by all necessary corporate and governmental action;

- (b) The execution and delivery of the Subsidiary Loan Agreement on behalf of the Borrower and TCI respectively have been duly authorized or ratified by all necessary corporate and governmental action;
- (c) TCI has certified in writing to the Bank that, as of a date to be agreed between the Bank and TCI (which shall be prior to the Effective Date), there has been no material adverse change in the financial position of TCI since the date of this Agreement; and
- (d) Legislation, establishing the Company to take over the telecommunications assets, liabilities, powers and responsibilities of TCI and of the Department of Telecommunications of PTT, shall have been enacted substantially in accordance with the terms and conditions of the draft legislation provided to the Bank.

Section 8.02. The following are specified as additional matters, within the meaning of Section 11.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank :

- (a) That the Project Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, TCI, and constitutes a valid and binding obligation of TCI in accordance with its terms;
- (b) That the Subsidiary Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and TCI respectively, and constitutes a valid and binding obligation of the Borrower and TCI in accordance with its terms.

Section 8.03. The date March 18, 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 Managing Director of the Plan Organization 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 :

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 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 and the allocation of the amounts of the Loan to each category :

<i>Category</i>	<i>Amount of the Loan Allocated (Expressed in Dollar Equivalent)</i>
I. Local distribution, inter-office cables and associated external plant	28,600,000
II. Cables linking local and trunk exchanges and associated external plant	4,200,000
III. Telex/Gentex exchange equipment and accessories	2,200,000
IV. Consultant services	1,000,000
TOTAL	<u>36,000,000</u>

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

(a) expenditures for goods produced in or services supplied from the territories of the Borrower or payments in the currency of the Borrower;

- (b) expenditures prior to the date of this Agreement; and
 (c) payment for taxes imposed by the Borrower or any of its political subdivisions on goods or services or on the importation, manufacture, procurement or supply thereof.

3. Notwithstanding the allocation of amounts of the Loan set forth in the second column of the table in paragraph 1 above, 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 at the request of the Borrower to meet any increase which may have occurred in any other Category.

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>
May 1, 1976	685,000	November 1, 1983	1,165,000
November 1, 1976	710,000	May 1, 1984	1,210,000
May 1, 1977	735,000	November 1, 1984	1,250,000
November 1, 1977	760,000	May 1, 1985	1,295,000
May 1, 1978	790,000	November 1, 1985	1,345,000
November 1, 1978	815,000	May 1, 1986	1,395,000
May 1, 1979	845,000	November 1, 1986	1,445,000
November 1, 1979	875,000	May 1, 1987	1,495,000
May 1, 1980	910,000	November 1, 1987	1,550,000
November 1, 1980	940,000	May 1, 1988	1,605,000
May 1, 1981	975,000	November 1, 1988	1,665,000
November 1, 1981	1,010,000	May 1, 1989	1,725,000
May 1, 1982	1,045,000	November 1, 1989	1,785,000
November 1, 1982	1,085,000	May 1, 1990	1,850,000
May 1, 1983	1,125,000	November 1, 1990	1,915,000

* 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	2 %
More than six years but not more than eleven years before maturity	3½%
More than eleven years but not more than sixteen years before maturity	5½%
More than sixteen years but not more than eighteen years before maturity	6½%
More than eighteen years before maturity	7½%

SCHEDULE 3

DESCRIPTION OF THE PROJECT

The Project comprises part of TCI's ongoing program for the development of local telephone services during the period March 1970 to March 1974 together with two items from the PTT development program and consists of the following :

- Part 1.* The installation of telephone exchange equipment, subscribers distribution plant, subscribers apparatus, interoffice cables, and the provision of the necessary sites and buildings, for the connection of about 300,000 additional subscribers telephone lines;
- Part 2.* The provision of cables linking the local telephone exchange networks with the new trunk dialing telephone exchanges;
- Part 3.* The installation of telex/gentex telephone exchanges at Tehran and ten provincial centers together with the necessary teleprinters and associated equipment to allow for the connection of about 2,000 additional telex subscribers, 290 gentex services and 500 long distance circuits; and
- Part 4.* The employment of management consultants to advise and assist in the merger of TCI and the Department of Telecommunications of PTT into a new national telecommunications company (the Company).

The Project is expected to be completed by March 20, 1974.

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.*]

PROJECT AGREEMENT

AGREEMENT, dated December 18, 1970, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and TELEPHONE COMPANY OF IRAN (hereinafter called TCI).

WHEREAS by a loan agreement of even date herewith¹ between Iran (hereinafter called the Borrower) and the Bank (hereinafter referred to as the Loan Agreement), the Bank has agreed to make available to the Borrower an amount in various currencies equivalent to thirty-six million dollars (\$36,000,000), on the terms and conditions set forth in the Loan Agreement, but on condition that TCI agree to undertake such obligations toward the Bank as hereinafter set forth; and

WHEREAS by a subsidiary loan agreement of even date herewith between the

¹ See p. 104 of this volume.

Borrower and TCI, the proceeds of the loan provided for under the Loan Agreement will be made available to TCI on the terms and conditions therein set forth; and

WHEREAS TCI, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed to undertake the obligations hereinafter set forth;

NOW THEREFORE the parties hereto hereby agree as follows :

Article I

DEFINITIONS

Section 1.01. Wherever used in this Agreement, unless the context shall otherwise require, the several terms defined in the Loan Agreement and in the General Conditions¹ (as so defined) have the respective meanings therein set forth.

Article II

EXECUTION OF THE PROJECT

Section 2.01. TCI shall carry out the Project described in Schedule 3 to the Loan Agreement with due diligence and efficiency and in conformity with sound administrative, financial, engineering and public utility practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the purpose.

Section 2.02. (a) Except as the Bank shall otherwise agree, (i) the goods and services (other than services of consultants) required for the Project and to be financed out of the proceeds of the Loan relented to TCI by the Borrower 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 1 to this Agreement or as shall be agreed between the Bank and TCI, and (ii) contracts for the procurement of all goods and services to be financed out of such proceeds of the Loan shall (except as otherwise provided in such Schedule) be subject to the prior approval of the Bank.

(b) TCI undertakes to insure, or make adequate provision for the insurance of, the imported goods to be financed out of the proceeds of the Loan relented to it by the Borrower 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 TCI to replace or repair such goods.

(c) Except as the Bank may otherwise agree, TCI shall cause all goods and services financed out of the proceeds of the Loan relented to it by the Borrower to be used exclusively for the Project.

¹ See p. 132 of this volume.

Section 2.03. (a) TCI 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) TCI: (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 relented to it by the Borrower, 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 such proceeds 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 so relented to it and the goods and services financed out of such proceeds.

Section 2.04. TCI shall duly perform all its obligations under the Subsidiary Loan Agreement. Except as the Bank shall otherwise agree, TCI shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the Subsidiary Loan Agreement or any provision thereof.

Article III

MANAGEMENT AND OPERATIONS OF TCI

Section 3.01. (a) Except as the Bank shall otherwise agree, TCI shall at all times take all steps necessary on its part to: acquire, maintain and renew all rights, powers and privileges which are necessary or useful in its operation.

(b) TCI shall at all times conduct its operations under qualified and experienced management, in accordance with sound administrative, financial, engineering and public utility practices and with the assistance of adequate qualified and experienced staff.

(c) TCI shall at all times operate, maintain, renew and repair its telecommunications facilities, plant, equipment and machinery in accordance with sound engineering and management practices.

(d) TCI shall take out and maintain with responsible insurers, or make other provisions satisfactory to the Bank for, insurance against such risks and in such amounts as shall be consistent with sound public utility practices.

(e) Except in the normal course of business, TCI shall not, without the prior approval of the Bank, sell, transfer, distribute or otherwise dispose of any of its property or assets which shall be required for its efficient operation and the sale, transfer, distribution or disposal of which would adversely affect TCI's ability to carry out its obligations under this Agreement.

Section 3.02. In carrying out Part 4 of the Project TCI shall employ management consultants acceptable to the Bank, to an extent and upon terms and conditions satisfactory to the Bank.

Article IV

FINANCIAL COVENANTS

Section 4.01. TCI shall maintain records adequate to reflect in accordance with consistently maintained sound accounting practices its operations and financial condition.

Section 4.02. TCI shall : (i) have its accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with sound auditing principles consistently applied, by independent auditors mutually acceptable to the Bank and TCI; (ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year, (A) certified copies of its financial statements for such year as so audited and (B) the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and (iii) furnish to the Bank such other information concerning the accounts and financial statements of TCI and the audit thereof as the Bank shall from time to time reasonably request.

Section 4.03. Except as the Bank shall otherwise agree, TCI shall not create or permit to be created any mortgage, pledge, charge or other lien on any of its property or assets; 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, 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.

Article V

CONSULTATION, INFORMATION AND INSPECTION

Section 5.01. The Bank and TCI shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, the Bank and TCI shall from time to time, at the request of either party, exchange views through their representatives with regard to the performance of their respective obligations under this Agreement, the administration, operations and financial condition of TCI and other matters relating to the purpose of the Loan.

Section 5.02. The Bank and TCI shall promptly inform each other of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the performance by either of them of its obligations under this Agreement or the performance by TCI of its obligations under the Subsidiary Loan Agreement.

Section 5.03. TCI shall enable the Bank's representatives to inspect all plants, sites, works, properties and equipment of TCI and any relevant records and documents.

Section 5.04. TCI shall furnish to the Bank all such information as the Bank shall reasonably request concerning the management, operations and financial condition of TCI.

Article VI

EFFECTIVE DATE; TERMINATION; CANCELLATION AND SUSPENSION

Section 6.01. This Agreement shall come into force and effect on the date upon which the Loan Agreement becomes effective.

Section 6.02. (a) This Agreement and all obligations of the Bank and of TCI thereunder shall terminate on the earlier of the following two dates :

- (i) the date on which the Loan Agreement shall terminate in accordance with its terms; or
- (ii) a date twenty years after the date of this Agreement.

(b) If the Loan Agreement terminates in accordance with its terms before the date specified in paragraph (a) (ii) of this Section, the Bank shall promptly notify TCI of this event and, upon the giving of such notice, this Agreement and all obligations of the parties thereunder shall forthwith terminate.

Section 6.03. Subject to the provisions of Section 6.02 of this Agreement, all the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the Loan Agreement.

Article VII

MISCELLANEOUS PROVISIONS

Section 7.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are :

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.

For TCI :

Telephone Company of Iran
Takhte-Jamshid Avenue
Tehran, Iran
Cable address :
Goftar
Tehran, Iran

Section 7.02. No delay in exercising, or omission to exercise, any right, power or remedy accruing to either party under this Agreement upon any default shall impair any such right, power or remedy or be construed to be a waiver thereof or an acquiescence in such default, or any acquiescence in any default, affect or impair any right, power or remedy of such party in respect of any other or subsequent default.

Section 7.03. Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Agreement on behalf of TCI may be taken or executed by the Managing Director of TCI or such other person or persons as he shall designate in writing.

Section 7.04. TCI shall furnish to the Bank sufficient evidence of the authority and the authenticated specimen signature of the person or persons who will, on behalf of TCI, take any action or execute any documents required or permitted to be taken or executed by TCI pursuant to any of the provisions of this Agreement.

Section 7.05. Any modification or amplification of the provisions of this Agreement which substantially increases the obligations of the Borrower under Section 3.01 (d) of the Loan Agreement may only be agreed to by TCI with the consent of the Borrower.

Section 7.06. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

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 delivered in the District of Columbia, United States of America, as of the day and year first above written.

International Bank for Reconstruction and Development :

By J. BURKE KNAPP
Vice President

Telephone Company of Iran :

By JAHANGIR AMUZEGAR
Authorized Representative

SCHEDULE 1

SUPPLEMENTARY PROCEDURES FOR PROCUREMENT OF GOODS TO BE FINANCED OUT OF THE PROCEEDS OF THE LOAN

1. With respect to any contract for procurement of such goods estimated to cost in excess of \$50,000 equivalent :

(a) Before bids are invited, TCI shall submit to the Bank for approval the invitations to bid, specifications and all other tender documents, together with a description of advertising procedures.

(b) After bids have been received and analyzed, the bid analysis, the recommendations of the consultants, where applicable, and the proposals for awards, together with the reasons for such proposals, will be submitted to the Bank for review and approval prior to any contract award or the issuance of any letter of intent.

(c) If the proposed final contract differs substantially from the terms and conditions contained in the documents previously approved by the Bank under subparagraphs (a) and (b) above, the text of the proposed changes will be submitted to the Bank for its review or approval prior to the execution of such contract or issuance of such letter of intent.

(d) As soon as a contract is signed or a letter of intent is issued, and prior to the date of submission of the first application for withdrawal of proceeds of the Loan in respect of any payment thereunder, TCI shall furnish to the Bank a certified copy of such contract or letter.

2. With respect to any contract for procurement of such goods estimated to cost no more than the equivalent of \$50,000, TCI shall submit to the Bank, at the time the award is made, a summary of bids or quotations received, the analysis thereof and the recommendation thereon, together with a copy of the *procès-verbal* of the public opening of the bids. As soon as such a contract is signed, and prior to the date of submission of the first application for withdrawal of proceeds of the Loan in respect of any payment thereunder, TCI shall furnish to the Bank a certified copy of such contract.

3. Pursuant to Section 2.02 (a) of this Agreement, minor items or groups of items involving expenditures expected to be less than the equivalent of \$10,000, and not to exceed in aggregate \$100,000 may be procured without resort to international competitive bidding. Quotations for the supply of such items, however, will be requested from at least two competing suppliers. A conformed copy of each contract relating to such procurement will be sent to the Bank promptly after its execution and prior to the date of the first application of withdrawal of proceeds of the Loan in respect thereof.
