

No. 12086

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

Loan Agreement—*Telecommunications Project* (with schedules and General Conditions Applicable to Loan and Guarantee Agreements). Signed at Baghdad on 27 October 1971

Authentic text: English.

Registered by the International Bank for Reconstruction and Development on 17 October 1972.

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

Contrat d'emprunt — *Projet relatif aux télécommunications* (avec annexes et Conditions générales applicables aux contrats d'emprunt et de garantie). Signé à Bagdad le 27 octobre 1971

Texte authentique : anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 17 octobre 1972.

LOAN AGREEMENT¹

LOAN AGREEMENT, dated October 27, 1971, between the REPUBLIC OF IRAQ (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS (A) The Borrower has requested the Bank to assist in the financing of the foreign exchange costs of the Project described in Schedule 2 to this Loan Agreement by making the Loan as herein provided;

(B) The Borrower has agreed to provide promptly as needed the facilities and equipment, described in Schedule 3 to this Loan Agreement, which are necessary for the effective operation of this Project, as prescribed in and in accordance with the National Development Plan (1970-74) of the Borrower; and

WHEREAS the Bank has agreed, on the basis *inter alia* of the foregoing, to make the Loan to the Borrower upon the terms and conditions hereinafter set forth;

NOW THEREFORE the parties hereto hereby agree as follows:

Article I. GENERAL CONDITIONS; DEFINITIONS

Section 1.01. The parties to this Loan 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 (said General Conditions Applicable to Loan and Guarantee Agreements of the Bank, being hereinafter called the General Conditions).

Section 1.02. Wherever used in this Loan 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 term has the following meaning:

“PTT” means the Post, Telegraph and Telephone Administration of the Borrower established and operating under Law Number 81 of 1963, and shall include any successor or successors thereto.

Article II. THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Loan Agreement, an amount in various currencies equivalent to twenty-seven million five hundred thousand dollars (\$27,500,000).

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 2 and to be financed under this Agreement.

Section 2.03. Except as the Borrower and the Bank shall otherwise agree, the goods and services (other than services of consultants) 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*

¹ Came into force on 28 January 1972, upon notification by the Bank to the Government of Iraq.

² See p. 77 of this volume.

World Bank Loans and IDA Credits, published by the Bank in August 1969 as revised in May 1971.

Section 2.04. The Closing Date shall be December 31, 1976 or such other date as shall be agreed between the Borrower and the Bank.

Section 2.05. 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 2.06. 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 2.07. Interest and other charges shall be payable semi-annually on April 15 and October 15 in each year.

Section 2.08. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 4 to this Agreement.

Section 2.09. 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 2.10. The Minister of Planning 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.

Section 2.11. The Director General of PTT is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions.

Article III. PARTICULAR COVENANTS

Section 3.01. (a) The Borrower shall carry out and operate, or cause PTT to carry out and operate, 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 shall ensure that PTT shall: (i) conduct its operations under qualified and experienced management in accordance with the aforementioned practices and with the assistance of adequate qualified and experienced staff; and (ii) at all times operate, maintain, renew and repair its telecommunication facilities and equipment in accordance with sound engineering and management practices.

Section 3.02. (a) The Borrower undertakes to insure, cause to insure or make adequate provision for the insurance of, the imported goods to be financed out of the proceeds of the Loan against 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 to the beneficiary for the purpose of replacing or repairing such goods. The Borrower shall promptly arrange to make the equivalent amount of said indemnity available in freely usable currency for the aforementioned purpose.

(b) The Borrower shall make or cause PTT to make satisfactory provisions for insurance against such risks and in such amounts as shall be consistent with sound practices.

Section 3.03. (a) The Borrower shall furnish or cause PTT to furnish, to the Bank, promptly upon their preparation, general plans and specifications, and construction and procurement schedules for the Project, as well as any material modification thereof or additions thereto, in such detail as the Bank shall reasonably request.

(b) Until such time as the construction of the Project has been completed, the Borrower shall, or shall cause PTT to: (i) maintain records adequate to indicate the progress of the Project (including the costs 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 visit the Project and telecommunication facilities and equipment referred to in Recital (B) of this Loan Agreement, see the goods financed out of such proceeds, and any relevant records and documents; (iii) furnish the Bank such information as the Bank shall reasonably request concerning the Project and the facilities and equipment referred to in Recital (B) of this Loan Agreement, the expenditure from the proceeds of the Loan and the goods and services financed out of such proceeds.

Section 3.04. Except as the Borrower and 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 3.05. The Borrower shall cause PTT: (i) to maintain records adequate to reflect in accordance with consistently maintained sound accounting practices its operations and financial condition; (ii) to furnish to the Bank in English as soon as available, but in any case not later than six months after the end of each fiscal year, certified, satisfactorily audited annual financial statements (balance sheets, statements of income and expense and related statements, including auditor's reports) relating to PTT, and such statements reflecting separately telecommunication operations of PTT beginning, except as the Borrower and the Bank shall otherwise agree, with the fiscal year commencing April 1, 1975; and (iii) to furnish to the Bank such other information concerning the accounts and financial statements relating to the telecommunication operations of PTT, as the Bank shall reasonably request from time to time.

Section 3.06. The Borrower shall take such steps as are necessary to ensure that from April 1, 1977, a reasonable annual return on national investments in telecommunication facilities will be obtained. For that purpose, and in accordance with the provisions of PTT's Law No. 81 of 1963 which provides that PTT operate on commercial basis, such annual revenue shall be sufficient: (a) to cover operating expenses of telecommunication facilities, including taxes, if any, other than user taxes, adequate maintenance, depreciation on a straight-line basis in consonance with telecommunication utility principles, and interest on long-term borrowings obtained for the purpose of making the said national investments; (b) to meet repayments on the aforementioned long-term borrowings, to the extent that such repayments shall exceed the provision for depreciation; and (c) to create a reasonable surplus to finance future investments.

Section 3.07. It is the mutual intention of the Borrower and the Bank that no other external debt shall enjoy any priority over the Loan by way of a lien on governmental assets. To that end, the Borrower undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Borrower as security for any external debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect, provided, however, that the foregoing provisions of this Section shall not apply to: (i) any lien created on property, at the time of purchase, thereof, solely as security for the payment of the

purchase price of such property; or (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

The term "assets of the Borrower" as used in this Section includes assets of the Borrower or of any of its political subdivisions or of any agency of the Borrower or of any such political subdivision, including the assets of the Central Bank of Iraq and any other institution performing the functions of a central bank for the Borrower.

Article IV. CONSULTATION AND INFORMATION

Section 4.01. 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 and the administration and operations of PTT in respect of the Project, and 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.

Section 4.02. (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 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 and the Bank shall promptly inform each other 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, the performance by either of them of its obligations under the Loan Agreement.

Section 4.03. The Borrower shall afford all reasonable opportunity for accredited representatives of the Bank to visit any part of the territories of the Borrower, for the purposes related to the Loan.

Article V. TAXES AND RESTRICTIONS

Section 5.01. 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 5.02. 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 and the laws in effect in the territories of such country or countries.

Section 5.03. 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 VI. REMEDIES OF THE BANK

Section 6.01. If any event specified in Section 7.01 of the General Conditions or in Section 6.02 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 6.02. For the purposes of Section 7.01 of the General Conditions, the following additional event is specified, namely, that:

A material change in PTT shall have been made so as to materially and adversely affect its ability to carry out and operate the Project.

Article VII. TERMINATION; REPRESENTATIVE OF THE BORROWER; ADDRESSES

Section 7.01. The date January 26, 1972 is hereby specified for the purposes of Section 11.04 of the General Conditions.

Section 7.02. The Minister of Planning of the Borrower is designated as representative of the Borrower for the purposes of Section 10.03 of the General Conditions.

Section 7.03. The following addresses are specified for the purposes of Section 10.01 of the General Conditions:

For the Borrower:

Minister of Planning
Ministry of Planning
Baghdad, Iraq

Cable address:

Minister of Planning
Ministry of Planning
Baghdad

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 city of Baghdad, Republic of Iraq, as of the day and year first above written.

Republic of Iraq:

By RASHID AL-RIFAI
Authorized Representative

International Bank for Reconstruction and Development:

By M. P. BENJENK
Director,
Europe, Middle East and North Africa Department

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 amounts of the Loan to each category:

<i>Category</i>	<i>Amount of the Loan Allocated (Expressed in Dollar Equivalent)</i>	<i>Percentage of Expenditures to be Financed</i>
I. Long distance scheme consisting of:		
(a) Microwave system Basrah-Baghdad-Mosul with associated spurs to TV stations, equipment for UHF radio links, telephone and telegraph multiplex equipment .	11,400,000	100% of foreign expenditures
(b) Long distance exchange equipment and accessories .	4,200,000	100% of foreign expenditures
II. Local and junction cables, drop wires, branch exchanges and telephone instruments	5,000,000	100% of foreign expenditures
III. National and international telegraph/telex exchange equipment and accessories	1,600,000	100% of foreign expenditures
IV. Satellite ground station including international switching center and associated facilities	3,300,000	100% of foreign expenditures
V. Consultants services	400,000	100% of foreign expenditures
VI. Unallocated	<u>1,600,000</u>	
TOTAL	<u>27,500,000</u>	

2. 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; and

- (b) if the estimate of the expenditures under any Category shall increase, 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.

SCHEDULE 2

DESCRIPTION OF THE PROJECT

The Project forms part of the Borrower's current Five-Year Plan and consists of the following:

1. Microwave system connecting main towns from Baghdad to Hilla, Basrah and Amara in the South and to Mosul, Kirkuk and Erbil in the North; the provision of multiplexing equipment for about 1,500 channels and television program interconnections and spurs for about six TV stations; and installation of ultra high frequency links to the important urban centers in the North East, and the provision and installation of an integrated system consisting of the following:
 - (i) Facilities relating to direct exchange lines, such as local and junction cables and drop wires, branch exchanges and telephone instruments;
 - (ii) Long distance exchange facilities with total capacity of about 5,000 lines permitting direct subscriber trunk dialling between the major cities.
2. National and international telex and gentex services by providing exchange facilities of approximately 700 lines.
3. A satellite ground station including an international switching center and associated facilities.
4. Consultant services.

The Project is expected to be completed by March 31, 1976.

SCHEDULE 3

FACILITIES AND EQUIPMENT NECESSARY FOR THE PROJECT TO BE PROVIDED BY THE BORROWER

1. The installation of approximately 100,000 lines of local exchange equipment, including replacement of about 11,500 lines of old equipment, associated cable network and other facilities to provide an increase of about 80,000 connected direct exchange lines.
2. International links to all or any of the neighboring countries.
3. Buildings and facilities related to the Project.

SCHEDULE 4

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 15, 1977	550,000	April 15, 1979	635,000
October 15, 1977	570,000	October 15, 1979	660,000
April 15, 1978	590,000	April 15, 1980	685,000
October 15, 1978	615,000	October 15, 1980	710,000

* 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 equivalent determined as for purposes of withdrawal.

<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 15, 1981	735,000	October 15, 1986	1,085,000
October 15, 1981	760,000	April 15, 1987	1,125,000
April 15, 1982	785,000	October 15, 1987	1,165,000
October 15, 1982	815,000	April 15, 1988	1,205,000
April 15, 1983	845,000	October 15, 1988	1,250,000
October 15, 1983	875,000	April 15, 1989	1,295,000
April 15, 1984	905,000	October 15, 1989	1,345,000
October 15, 1984	940,000	April 15, 1990	1,390,000
April 15, 1985	975,000	October 15, 1990	1,440,000
October 15, 1985	1,010,000	April 15, 1991	1,495,000
April 15, 1986	1,045,000		

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%

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.]