

No. 6413

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

Loan Agreement—*Hot Water Supply Project* (with annexed Loan Regulations No. 3 and Project Agreement between the Bank and the City of Reykjavik). Signed at Washington, on 14 February 1962

Official text: English.

Registered by the International Bank for Reconstruction and Development on 5 December 1962.

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

Contrat d'emprunt — *Projet d'adduction d'eau chaude* (avec, en annexe, le Règlement n° 3 sur les emprunts et le Contrat relatif au Projet entre la Banque et la Ville de Reykjavik). Signé à Washington, le 14 février 1962

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 5 décembre 1962.

No. 6413. LOAN AGREEMENT¹ (*HOT WATER SUPPLY PROJECT*) BETWEEN THE REPUBLIC OF ICELAND AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 14 FEBRUARY 1962

AGREEMENT, dated February 14, 1962, between REPUBLIC OF ICELAND (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS

(A) the Borrower has requested the Bank to grant a loan to the Borrower the proceeds of which the Borrower intends to relend to the City of Reykjavík (hereinafter called the City) for the purposes of expanding the Hot Water Supply System of the City ;

(B) by a Project Agreement of even date² between the City and the Bank, the City has undertaken certain obligations in respect of the carrying out of the Project and related matters ;

(C) the Bank has, on the basis of the foregoing, agreed to make a loan to the Borrower upon the terms and conditions hereinafter set forth ;

NOW THEREFORE, the parties hereto hereby agree as follows :

Article I

LOAN REGULATIONS ; SPECIAL DEFINITIONS

Section 1.01. The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 3 of the Bank dated February 15, 1961,² subject, however, to the modifications thereof set forth in Schedule 2³ to this Agreement (said Loan Regulations No. 3 as so modified being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

¹ Came into force on 20 June 1962, upon notification by the Bank to the Government of Iceland.

² See p. 114 of this volume.

³ See p. 112 of this volume.

Section 1.02. Except where the context otherwise requires, the following terms have the following meanings wherever used in this Agreement or any schedule thereto :

(a) The term "the City" means the City of Reykjavík, a municipality organized and existing under the laws of the Borrower.

(b) The term "Project Agreement" means the Agreement of even date herewith between the Bank and the City, as the same shall be amended from time to time by agreement between the Bank and the City.

(c) The term "Subsidiary Loan Agreement" means the loan agreement, referred to in Section 5.03 (a) of this Loan Agreement, to be entered into between the Borrower and the City.

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in this Agreement set forth or referred to, an amount in various currencies equivalent to two million dollars (\$2,000,000).

Section 2.02. The Bank shall open a Loan Account on its books in the name of the Borrower and shall credit to such Account the amount of the Loan. The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, the Loan Agreement.

Section 2.03. The Borrower shall pay interest at the rate of five and three-fourths per cent ($5\frac{3}{4}\%$) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

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 so withdrawn from time to time.

Section 2.05. Except as the Borrower and the Bank shall otherwise agree, the charge payable for special commitments entered into by the Bank at the request of the Borrower pursuant to Section 4.02 of the Loan Regulations shall be at the rate of one-half of one per cent ($\frac{1}{2}$ of 1%) per annum on the principal amount of any such special commitments outstanding from time to time.

Section 2.06. Interest and other charges shall be payable semi-annually on May 15 and November 15 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 1¹ to this Agreement.

¹ See p. 110 of this volume.

Article III

USE OF PROCEEDS OF THE LOAN ; CURRENCIES

Section 3.01. The Borrower shall cause the proceeds of the Loan to be applied exclusively to financing the cost of goods required to carry out the Project described in the Schedule¹ to the Project Agreement. The specific goods to be financed out of the proceeds of the Loan shall be determined by agreement between the Borrower and the Bank, subject to modification by further agreement between them.

Section 3.02. The Borrower shall cause all goods financed out of the proceeds of the Loan to be used exclusively in the carrying out of the Project.

Section 3.03. Pursuant to the second sentence of Section 3.02 of the Loan Regulations, the Borrower and the Bank agree that any withdrawals on account of expenditures in the currency of the Borrower or for goods produced in (including services supplied from) the territories of the Borrower shall be made in such currency or currencies as the Bank shall reasonably select.

Article IV

BONDS

Section 4.01. The Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in the Loan Regulations.

Section 4.02. The Minister of Finance of the Borrower and such person or persons as he shall appoint in writing are designated as authorized representatives of the Borrower for the purposes of Section 6.12 of the Loan Regulations.

Article V

PARTICULAR COVENANTS

Section 5.01. 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 :

¹ See p. 124 of this volume.

(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 ; (ii) any lien on commercial goods to secure a debt maturing not more than one year after the date on which it is originally incurred and to be paid out of the proceeds of sale of such commercial goods ; or (iii) 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 assets of the Central Bank of Iceland or any institution performing the functions of a central bank.

Section 5.02. (a) The Borrower shall cause the Project to be carried out with due diligence and efficiency and in conformity with sound engineering, financial and public utility practices.

(b) The Borrower shall cause to be performed all the covenants, agreements and obligations of the City set forth in the Project Agreement and shall take or cause to be taken all action necessary or appropriate to enable the City to perform such covenants, agreements and obligations.

Section 5.03. (a) The Borrower shall enter into a subsidiary loan agreement with the City, satisfactory to the Bank, which shall provide for the relending of the proceeds of the Loan by the Borrower to the City and shall contain appropriate provisions with respect to the financing and carrying out of the Project and other obligations of the Borrower and the City under the Loan Agreement and the Project Agreement.

(b) Except as the Bank shall otherwise agree, the Borrower shall not amend, assign, abrogate or waive any provision of the Subsidiary Loan Agreement.

Section 5.04. The Borrower shall maintain or cause to be maintained records adequate to identify the goods financed out of the proceeds of the Loan, to disclose the use thereof in the Project, and to record the progress of the Project (including the cost thereof) ; shall enable the Bank's representatives to inspect the Project, the goods and any relevant records and documents ; and shall furnish to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the Project, and the goods.

Section 5.05. (a) The Borrower and the Bank shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, each of them shall fur-