No. 7998

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT and REPUBLIC OF CHINA

Loan Agreement—*Railway Project* (with annexed Loan Regulations No. 3 and Project Agreement between the Bank and the Province of Taiwan and the Taiwan Railway Administration). Signed at Washington, on 28 April 1965

Official text: English.

Registered by the International Bank for Reconstruction and Development on 3 December 1965.

BANQUE INTERNATIONALE POUR LA RECONSTRUCTION ET LE DÉVELOPPEMENT et RÉPUBLIQUE DE CHINE

Contrat d'emprunt — *Projet relatif aux chemins de fer* (avec, en annexe, le Règlement n° 3 sur les emprunts et le Contrat relatif au Projet entre la Banque, la province de Taïwan et l'Administration des chemins de fer de Taïwan). Signé à Washington, le 28 avril 1965

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 3 décembre 1965.

No. 7998. LOAN AGREEMENT[1] (*RAILWAY PROJECT*) BETWEEN THE REPUBLIC OF CHINA AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 28 APRIL 1965

AGREEMENT, dated April 28, 1965, between REPUBLIC OF CHINA (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS the Borrower and the Taiwan Railway Administration (hereinafter called TRA), an agency of the Province of Taiwan (hereinafter called the Province) entrusted with the administration and operation of the Borrower's railway facilities in the Province of Taiwan, have requested the Bank to assist in the financing of part of the TRA's rehabilitation, modernization and expansion program for the years 1965 to 1968;

WHEREAS the TRA will, with the Borrower's assistance, carry out such program, and, as part of such assistance, the Borrower will make available to the TRA the proceeds of the loan provided for herein ;

WHEREAS the Bank is willing to make a loan available on the terms and conditions provided herein and in a project agreement of even date herewith[2] between the Bank, the Province and the TRA ;

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,[3] with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications thereof (said Loan Regulations No. 3 as so modified being hereinafter called the Loan Regulations) :

[1] Came into force on 25 June 1965, upon notification by the Bank to the Government of the Republic of China.
[2] See p. 164 of this volume.
[3] See p. 162 of this volume.

(*a*) by the deletion in Section 5.06 of the words "these Regulations and the Loan Agreement" and the substitution therefor of the words "these Regulations, the Loan Agreement and the Project Agreement" ; and

(*b*) by the insertion in Section 7.02 of the words "or the Project Agreement" after the words "the Loan Agreement".

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 "Project Agreement" means the agreement of even date herewith between the Bank, the Province and the TRA, as the same may be amended from time to time by agreement between the Bank, the Province and the TRA ; and

(*b*) the term "Subsidiary Loan Agreement" means the loan agreement, referred to in Section 5.02 (*a*) of this Agreement, to be entered into between the Borrower and the TRA.

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 twenty million dollars ($20,000,000).

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, this Agreement and the Loan Regulations.

Section 2.03. The Borrower shall pay to the Bank a commitment charge at the rate of three-eighths of one per cent (3/8 of 1%) per annum on the principal amount of the Loan not so withdrawn from time to time.

Section 2.04. The Borrower shall pay interest at the rate of five and one-half per cent (5½%) per annum on the principal amount of the Loan so withdrawn and outstanding 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 (½ 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 April 15 and October 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 1 to this Agreement.

Article III

Use of Proceeds of the Loan

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 Schedule 2 to this Agreement. The specific goods to be financed out of the proceeds of the Loan and the methods and procedures for procurement of such goods shall be determined by agreement between the Borrower, the TRA 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 in the territories of the Borrower exclusively in the carrying out of the Project and in the operation of the railway facilities administered by the TRA.

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. (*a*) The Borrower shall cause the Project to be carried out and the operations of the railway facilities administered by the TRA to be conducted with due diligence and efficiency and in conformity with sound railway, engineering and financial practices.

(*b*) The Borrower shall cause the Province and the TRA punctually to perform all the covenants and agreements on their part to be performed as set forth in the Project Agreement, shall take or cause to be taken all action which shall be necessary to enable the Province and the TRA to perform such covenants and agreements and shall not take any action that would interfere with such performance.

Section 5.02. (*a*) The Borrower shall enter into a Subsidiary Loan Agreement with the TRA, satisfactory to the Bank, which shall provide for the relending of the proceeds of the Loan by the Borrower to the TRA and shall contain appropriate provisions with respect to the financing and carrying out of the Project and other obligations of the Borrower and the TRA 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 provisions of the Subsidiary Loan Agreement.

Section 5.03. (*a*) It is the mutual understanding of the Borrower and the Bank that the TRA and the Province are primarily responsible for the provision of funds required for the Project.

(*b*) Without limitation or restriction upon any of the other covenants on its part in this Agreement contained, the Borrower shall, whenever there is reasonable cause to believe that the funds available to the TRA will be inadequate to meet the estimated expenditures required for carrying out the Project, make arrangements, satisfactory to the Bank, promptly to provide the TRA or cause the TRA to be provided with such funds as are necessary to meet such expenditures.

Section 5.04. (*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 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 and the international balance of payments position of the Borrower.

(*b*) The Borrower and the Bank shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan and the maintenance of the service thereof. 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 or the maintenance of the service thereof.

(*c*) 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.

Section 5.05. 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 ; (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