
LOAN NUMBER 1047 IRN

Loan Agreement

(Fisheries Project)

BETWEEN

IRAN

AND

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

DATED OCTOBER 14, 1974

Public Disclosure Authorized

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LOAN AGREEMENT

AGREEMENT, dated October 14, 1974, between IRAN (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 Project described in Schedule 2 to this Agreement by making the Loan as hereinafter provided;

(B) The Project is to be carried out by the Agricultural Development Bank of Iran and by the Southern Fisheries Company of Iran with the Borrower's assistance;

(C) As part of such assistance the Borrower will make available to the Agricultural Development Bank of Iran and the Southern Fisheries Company of Iran the proceeds of the Loan;

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 set forth hereinafter and in Project Agreements of even date herewith between the Bank and the Agricultural Development Bank of Iran and the Southern Fisheries Company of Iran respectively;

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 March 15, 1974, 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 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) "ADBI" means the Agricultural Development Bank of Iran, established pursuant to the Law dated *29 Dey 1345* as amended by the Law dated *4 Ordibehesht 1347*; and

(b) "Shilat" means *S.S. Shilat Jonoub Iran*, the Southern Fisheries Company of Iran, established pursuant to the Law dated *Farvardin 1350*;

(c) "Project Agreements" mean the agreements of even date herewith between the Bank and ADBI and between the Bank and Shilat under which ADBI and Shilat undertake certain obligations toward the Bank in respect of the carrying out of the Project; and

(d) "Financing Agreements" mean the agreements to be entered into between the Borrower and ADBI and the Borrower and Shilat pursuant to Section 3.01(c) hereof.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in the Loan Agreement set forth or referred to, an amount in various currencies equivalent to twelve million five hundred thousand dollars (\$12,500,000).

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 may 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 out of the proceeds of the Loan.

Section 2.03. The Closing Date shall be December 31, 1978 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 ($3/4$ 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 eight per cent (8%) 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 February 15 and August 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower shall cause ADBI and Shilat to carry out the Project with due diligence and efficiency and in conformity with appropriate administrative and financial practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

(b) Without limiting the generality of the foregoing, the Borrower shall (i) relend to ADBI the equivalent of the amount of the Loan allocated in Schedule 1 to this Agreement for investments of commercial fishermen and fisheries cooperatives required to carry out Part C(1) of the Project, (ii) relend through ADBI to Shilat the equivalent of the amount of the Loan allocated in such Schedule 1 for credits to fishermen and fisheries cooperatives required to carry out Part C(2) of the Project, and (iii) make available through ADBI to Shilat as a grant, the amount of the Loan allocated in such Schedule 1 for the foreign-exchange costs of the services of consultants and experts required to carry out Parts A and B of the Project.

(c) The arrangements described in paragraph (b) above shall be incorporated in Financing Agreements among the Borrower, ADBI and Shilat satisfactory to the Bank. Such Financing Agreements shall provide, *inter alia*, (i) that the Borrower assume the risk of loss due to possible fluctuations in exchange rates in respect of the use of the proceeds and the servicing of that part of the Loan relent to Shilat, (ii) that ADBI act as coordinator for the Project and as administrator of the funds used for its financing, (iii) that the proceeds of the Loan relent to ADBI for commercial fishermen and fisheries cooperatives be so relent on the same financial terms as the Loan, (iv) that the funds of the Borrower lent to Shilat and proceeds of the Loan relent to Shilat be so lent and relent for twelve years at a rate of interest equal to that on the Loan plus one quarter of one per cent, and (v) that ADBI be paid by the Borrower a commission of one quarter of one per cent of all funds made available to Shilat, as compensation for managing such funds.

(d) The Borrower shall, upon request from Shilat, take all action as may be necessary to provide Shilat, or cause Shilat to be provided, with the funds referred to under Section 2.03(b) of the Project Agreement between the Bank and Shilat.

Section 3.02. The Borrower: (i) shall maintain or cause ADBI and Shilat to maintain records adequate to record the progress of the Project (including the cost thereof) and to identify the goods and services financed out of the proceeds of the Loan, and to disclose the use thereof in the Project; (ii) shall enable the Bank's accredited representatives to visit the facilities and construction sites included in the Project and to examine the goods financed out of the proceeds of the Loan and any relevant records and documents; and (iii) shall furnish to the Bank all such information as the Bank shall reasonably request concerning the Project, the expenditure of the proceeds of the Loan and the goods and services financed out of such proceeds.

Section 3.03. The Borrower shall exercise its rights under the Financing Agreements in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Borrower shall not assign, nor amend, abrogate or waive any provision of, any such Agreement.

ARTICLE IV

Other Covenants

Section 4.01. (a) It is the policy of the Bank, in making loans to, or with the guarantee of, its members not to seek, in normal circumstances, special security from the member concerned but to ensure that no other external debt shall have priority over its loans in the allocation, realization or distribution of foreign exchange held under the control or for the benefit of such member. To that end, if any lien shall be created on any public assets (as hereinafter defined), as security for any external debt, which will or might result in a priority for the benefit of the creditor of such external debt in the allocation, realization or distribution of foreign exchange, such lien shall, unless the Bank shall otherwise agree, *ipso facto* and at no cost to the Bank, equally and ratably secure the principal of, and interest and other charges on, the Loan; and the Borrower, in creating or permitting the creation of such lien, shall make express provision to that effect; provided, however, that, if for any constitutional or other legal reason such provision cannot be made with respect to any lien created on assets of any of its political or administrative subdivisions, the Borrower shall promptly and at no

cost to the Bank secure the principal of, and interest and other charges on, the Loan by an equivalent lien on other public assets satisfactory to the Bank.

(b) The foregoing 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.

(c) As used in this Section, the term "public assets" means assets of the Borrower, of any political or administrative subdivision thereof and of any entity owned or controlled by, or operating for the account or benefit of, the Borrower or any such subdivision, including assets held by any institution performing the functions of a central bank or exchange stabilization fund, or similar functions, for the Borrower.

ARTICLE V

Remedies of the Bank

Section 5.01. The Bank may, upon the occurrence of any of the events specified in Sections 6.02 or 7.01 of the General Conditions or in Sections 5.02 or 5.03 of this Agreement and the continuance thereof for the period, if any, specified for the purpose: (i) suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account or (ii) declare the principal of the Loan then outstanding to be due and payable immediately together with the interest and other charges thereon.

Section 5.02. For the purposes of Section 6.02 of the General Conditions, the following additional events are specified:

(a) ADBI or Shilat shall have failed to make any payment required under the Financing Agreements; or

(b) ADBI or Shilat shall have failed to carry out any other obligation under the Financing Agreements or any obligation under the Project Agreements.

Section 5.03. For the purposes of Section 7.01 of the General Conditions, the following additional events are specified:

(a) any event specified in paragraph (b) of Section 5.02 of this Agreement shall occur and shall continue for a period of thirty days after notice thereof shall have been given by the Bank to the Borrower; and

(b) any event specified in paragraph (a) of Section 5.02 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01(c) of the General Conditions:

(a) The execution and delivery of the Project Agreements on behalf of ADBI and Shilat, respectively, have been duly authorized or ratified by all necessary corporate and governmental action; and

(b) The execution and delivery of the Financing Agreements on behalf of the Borrower, ADBI and Shilat have been duly authorized or ratified by all necessary governmental and corporate action.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02(c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank, namely, that the conditions specified in Section 6.01 above have been fulfilled and that the Project Agreements and the Financing Agreements constitute valid and binding obligations of the Borrower, ADBI and Shilat in accordance with the terms of such Agreements.

Section 6.03. The date February 11, 1975 is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of Economic Affairs and Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Economic Affairs and Finance
Government of Iran
Tehran, Iran

Cable address:

MINISTRY FINANCE
Tehran

Telex:

2838 MFTN or
2830 MFTN

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.

Telex:

440098 (ITT),
248423 (RCA) or
64145 (WUI)

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

IRAN

By /s/ Jahangir Amuzegar

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ M. P. Benjenk

*Regional Vice President
Europe, Middle East and North Africa*

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, the allocation of the amounts of the Loan to each Category and the percentage of expenditures for items so to be financed in each Category:

<i>Category</i>	<i>Amount of the Loan Allocated (Expressed in Dollar Equivalent)</i>	<i>% of Expenditures to be Financed</i>
I. Consultants' services for Part A of the Project	600,000	100% of foreign expenditures
II. Costs of services of master fishermen and mechanics for Part B of the Project	400,000	100% of foreign expenditures
III. Credits by ADBI to commercial fishermen and fisheries cooperatives under Part C (1) of the Project	10,900,000	90% of actual disbursements by ADBI
IV. Credits by Shilat to fishermen and fisheries cooperatives under Part C (2) of the Project	600,000	55% of actual disbursements by Shilat
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TOTAL	12,500,000	
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2. For the purposes of this Schedule the term "foreign expenditures" means expenditures for goods or services supplied from the territory, and in the currency, of any country other than the Borrower.
3. The disbursement percentages have been calculated in compliance with the policy of the Bank that no proceeds of the Loan shall be disbursed on account of payments for taxes levied by, or in the territory of, the Borrower on goods or services, or on the importation, manufacture, procurement or supply thereof; to that end, if any event occurs which shall affect the amount of any such taxes included in the cost of any item to be financed out of the proceeds of the Loan, the Bank may, by notice to the Borrower, correspondingly adjust the disbursement percentage then applicable to such item.
4. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of expenditures prior to the date of this Agreement.
5. Notwithstanding the allocation of an amount of the Loan or the disbursement percentages set forth in the table in paragraph 1 above, if the Bank has reasonably estimated that the amount of the Loan then allocated to any Category will be insufficient to finance the agreed percentage of all expenditures in that Category, the Bank may, by notice to the Borrower: (i) reallocate to such Category to the extent required to meet such estimated shortfall proceeds of the Loan which are then allocated to another Category and which in the opinion of the Bank are not needed to meet other expenditures, and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the disbursement percentage then applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made.

SCHEDULE 2

Description of the Project

The major objective of the Project is the improvement in the fishing industry of the Borrower in the Persian Gulf and the Sea of Oman through (a) improvement in Shilat's organizational structure, operating policies, marketing activities and regulatory functions; (b) improvement and modernization of the production techniques of fishermen through training; and (c) increased production of private fishermen and fisheries cooperatives through credits for investments. The Project consists of the following parts:

- Part A.* The employment of management consultants by Shilat to review the company's organizational structure, to assist in establishing a Fisheries Department and a Commercial Department, to strengthen the company's management and to develop a training program for the company's management and technical personnel.
- Part B.* The establishment by Shilat of training centers at Bandar Abbas and Bushehr, equipped with appropriate training aids and operated with the assistance of two qualified and experienced master fishermen and mechanics.
- Part C.* The provision of credits: (1) by ADBI to commercial fishermen and fisheries cooperatives to purchase fishing vessels ranging from 50 GT class to 1,200 GT class, refrigerated trucks, and boat engines; and (2) by Shilat to small-scale fishermen and fisheries cooperatives for investments in fishing gear and equipment to improve their fishing techniques and upgrade their production.

SCHEDULE 3

Amortization Schedule

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>
February 15, 1979	420,000
August 15, 1979	435,000
February 15, 1980	455,000
August 15, 1980	470,000
February 15, 1981	490,000
August 15, 1981	510,000
February 15, 1982	530,000
August 15, 1982	555,000
February 15, 1983	575,000
August 15, 1983	600,000
February 15, 1984	620,000
August 15, 1984	645,000
February 15, 1985	670,000
August 15, 1985	700,000
February 15, 1986	725,000
August 15, 1986	755,000
February 15, 1987	785,000
August 15, 1987	820,000
February 15, 1988	850,000
August 15, 1988	890,000

* 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:

<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	2-1/2%
More than six years but not more than eleven years before maturity	4-1/4%
More than eleven years but not more than thirteen years before maturity	6-1/2%
More than thirteen years before maturity	8%