

No. 4664

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

**Loan Agreement—*Grandpass Thermal Project* (with annexed
Loan Regulations No. 3). Signed at Washington, on
17 September 1958**

Official text: English.

*Registered by the International Bank for Reconstruction and Development on
6 February 1959.*

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

**Contrat d'emprunt — *Projet de construction d'une centrale
thermique à Grandpass* (avec, en annexe, le Règlement
n° 3 sur les emprunts). Signé à Washington, le 17 sep-
tembre 1958**

Texte officiel anglais.

*Enregistré par la Banque internationale pour la reconstruction et le développement
le 6 février 1959.*

No. 4664. LOAN AGREEMENT¹ (*GRANDPASS THERMAL PROJECT*) BETWEEN THE GOVERNMENT OF CEYLON AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 17 SEPTEMBER 1958

AGREEMENT, dated September 17, 1958, between GOVERNMENT OF CEYLON (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS by a Loan Agreement dated July 9, 1954,² between the Borrower and the Bank (hereinafter called the First Loan Agreement), the Bank made a loan to the Borrower for the purpose of financing the foreign exchange costs of a project forming part of an electric power scheme in Ceylon; and

WHEREAS the Borrower has requested the Bank to assist in financing a further part of such scheme;

NOW THEREFORE, the parties hereto agree as follows :

Article I

LOAN REGULATIONS; SPECIAL DEFINITION

Section 1.01. The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 3 of the Bank dated June 15, 1956,³ subject, however, to the modifications thereof set forth in Schedule 3³ 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.

Section 1.02. For the purposes of this Agreement, wherever the context so permits, the term "Borrower" shall be deemed to include Ceylon.

¹ Came into force on 21 November 1958, upon notification by the Bank to the Government of Ceylon.

² United Nations, *Treaty Series*, Vol. 198, p. 313.

³ See p. 68 of this volume.

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 seven million four hundred thousand dollars (\$7,400,000).

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 Regulations; provided, however, that before the first withdrawal shall be made from the Loan Account, the Borrower shall furnish to the Bank a certificate of a competent authority that the debt limitation provided in the Ceylon Development Loans Act, No. 6 of 1954, as amended, has not been exceeded.

Section 2.03. 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. Such commitment charge shall accrue from a date sixty days after the date of this Agreement to the respective dates on which amounts shall be withdrawn by the Borrower from the Loan Account as provided in Article IV of the Loan Regulations or shall be cancelled pursuant to Article V of the Loan Regulations.

Section 2.04. The Borrower shall pay interest at the rate of five and three-eighths per cent ($5\frac{3}{8}\%$) 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 ($\frac{1}{2}$ 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 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 1¹ 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

¹ See p. 64 of this volume.

Project described in Schedule 2¹ 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 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.

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 Governor-General of the Island of Ceylon 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 its electricity undertakings to be managed and operated with due diligence and efficiency and in conformity with sound engineering and financial practices.

(b) Except as shall be otherwise agreed between the Borrower and the Bank in respect of any part of the Project, the Borrower shall employ or cause the agency or entity which will carry out the Project to employ qualified and competent engineering consultants and contractors for the carrying out of the Project.

(c) The Borrower shall cause to be furnished to the Bank, promptly upon their preparation, the plans and specifications for the Project and any material modifications subsequently made therein, in such detail as the Bank shall from time to time request.

(d) 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) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of the agency or entity responsible for the construction or operation of the Project or any part thereof; shall enable the Bank's representatives to inspect the Project, the goods.

¹ See p. 66 of this volume.

the properties, equipment and operations of the agency or entity responsible for the construction or operation of the Project or any part thereof, 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, the goods and the operations and financial condition of the agency or entity responsible for the construction or operation of the Project or any part thereof.

Section 5.02. (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 5.03. 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 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 Ceylon.

Section 5.04. 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 or fees imposed under the laws of the Borrower or laws in effect in its territories; provided, however, that the provisions of this Section shall not apply to taxation of, or fees upon, 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 5.05. The Loan Agreement and the Bonds shall be free from any taxes or fees that shall be imposed under the laws of the Borrower or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof, and the Borrower shall pay all such taxes and fees, 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 5.06. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid free from all restrictions imposed under the laws of the Borrower or laws in effect in its territories.

Section 5.07. The Borrower shall satisfy the Bank that adequate arrangements have been made to insure the goods financed out of the proceeds of the Loan against risks incident to their purchase and importation into the territories of the Borrower.

Section 5.08. In the event of the establishment of an agency or entity to carry out the Project or to operate the electricity undertakings now administered by the Borrower's Department of Electrical Undertakings, the Borrower shall take all steps necessary to ensure that the establishment of such agency or entity and the transfer to it of any such electricity undertaking will be on a basis not inconsistent with the performance of obligations under this Agreement.

Article VI

REMEDIES OF THE BANK

Section 6.01. (i) If any event specified in paragraph (a) or paragraph (b) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of thirty days, or (ii) if any event specified or referred to in Section 6.01 of

the First Loan Agreement shall have occurred and shall have continued for the period specified therein, or (iii) if any event specified in paragraph (c) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower, then at any subsequent time during the continuance thereof, the Bank, at its option, may declare the principal of the Loan and of all the Bonds then outstanding to be due and payable immediately, and upon any such declaration such principal shall become due and payable immediately, anything in this Agreement or in the Bonds to the contrary notwithstanding.

Section 6.02. For the purposes of Section 5.02 (h) of the Loan Regulations, the following events are specified : If there shall have occurred any event specified or referred to in Section 6.01 of the First Loan Agreement.

Article VII

MISCELLANEOUS

Section 7.01. The Closing Date shall be May 1, 1962.

Section 7.02. A date sixty days after the date of this Agreement is hereby specified for the purposes of Section 9.04 of the Loan Regulations.

Section 7.03. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Borrower :

Ministry of Finance
The Secretariat
Colombo 1, Ceylon

Alternative address for cablegrams and radiograms :

Secfin
Colombo, Ceylon

For the Bank :

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington 25, D. C.
United States of America

Alternative address for cablegrams and radiograms :

Intbafrad
Washington, D. C.

Section 7.04. The Governor-General of the Island of Ceylon is designated for the purposes of Section 8.03 of the Loan Regulations.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan 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.

Governor-General, Acting in the Name and on Behalf
of the Government of Ceylon :

By O. E. GOONETILLEKE
Governor-General of the Island of Ceylon

International Bank for Reconstruction and Development :

By W. A. B. ILIFF
Vice President

SCHEDULE 1

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>
November 1, 1961	\$136,000	May 1, 1970	\$213,000
May 1, 1962	140,000	November 1, 1970	219,000
November 1, 1962	143,000	May 1, 1971	225,000
May 1, 1963	147,000	November 1, 1971	231,000
November 1, 1963	151,000	May 1, 1972	237,000
May 1, 1964	155,000	November 1, 1972	243,000
November 1, 1964	159,000	May 1, 1973	250,000
May 1, 1965	164,000	November 1, 1973	257,000
November 1, 1965	168,000	May 1, 1974	264,000
May 1, 1966	173,000	November 1, 1974	271,000
November 1, 1966	177,000	May 1, 1975	278,000
May 1, 1967	182,000	November 1, 1975	285,000
November 1, 1967	187,000	May 1, 1976	293,000
May 1, 1968	192,000	November 1, 1976	301,000
November 1, 1968	197,000	May 1, 1977	309,000
May 1, 1969	202,000	November 1, 1977	317,000
November 1, 1969	208,000	May 1, 1978	326,000

* To the extent that any part of the Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.02), 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 part of the principal amount of the Loan pursuant to Section 2.05 (b) of the Loan Regulations or on the redemption of any Bond prior to its maturity pursuant to Section 6.16 of the Loan Regulations :

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than 3 years before maturity	½ of 1%
More than 3 years but not more than 6 years before maturity	1 ³ / ₈ %
More than 6 years but not more than 11 years before maturity	2 ³ / ₈ %
More than 11 years but not more than 16 years before maturity	3 ³ / ₈ %
More than 16 years but not more than 18 years before maturity	4 ³ / ₈ %
More than 18 years before maturity	5 ³ / ₈ %

SCHEDULE 2

DESCRIPTION OF PROJECT

Grandpass Thermal Plant

The site of the plant will be on the left bank of the Kelani river in the northern part of Colombo.

The powerhouse will be a brick and steel structure. In addition to the turbogenerator room it will include a workshop, storerooms, a laboratory and office space. The single turbogenerator unit will have a capacity of 25,000 kw and will be designed to operate at a pressure of about 900 p.s.i. and at a temperature of about 900°F. It will be equipped with regenerative feed heating, surface condenser and necessary auxiliary equipment. The single boiler will be of the outdoor type and designed to produce 250,000 pounds of steam per hour. It will be fired by oil fuel.

Cooling water will be drawn from the Kelani river through a culvert approximately 1,100 feet long and discharged again through a second culvert approximately 1,400 feet long.

Feed water will be drawn from the city mains. Suitable water treatment plant and storage tanks will be provided.

Oil fuel will be delivered to the site through branch-offs from the existing dual pipeline connecting the oil harbor with the main storage tanks at Kolonnawa. Two storage tanks, each with a capacity of 4,000 tons, and two service tanks will be provided.

One 32 MVA, 11/132 kv 3-phase transformer will be installed in the outdoor substation, which will be equipped with necessary switchgear, control equipment and auxiliaries.

Transmission Line and Distribution

A 132 kv transmission line about 1.5 miles long will be constructed to connect the Grandpass thermal plant with the existing substation at Kolonnawa, which will be expanded by installation of a third 30 MVA, 132/33 kv, 3-phase transformer with associated switchgear.

The 33 kv network will be extended by construction of approximately 178 miles of transmission lines and installation of about 200 transformers. The distribution network in Colombo will be reinforced by the laying of additional 33 kv and 11 kv cables and installation of switchboards and distributors.

It is expected that construction of all parts of the Project will be completed by February 1962.

SCHEDULE 3

MODIFICATIONS OF LOAN REGULATIONS No. 3

For the purposes of this Agreement the provisions of Loan Regulations No. 3 of the Bank, dated June 15, 1956, shall be deemed to be modified as follows :

Section 2.02 shall be deleted.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 3, DATED 15 JUNE 1956

REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK TO MEMBER GOVERNMENTS

[*Not published herein. See United Nations, Treaty Series, Vol. 280, p. 302.*]