

No. 5990

**INTERNATIONAL BANK
FOR RECONSTRUCTION AND DEVELOPMENT
and
UNITED KINGDOM OF GREAT BRITAIN AND
NORTHERN IRELAND**

**Guarantee Agreement—Uganda Electricity Board Project
(with annexed Loan Regulations No. 4, exchange of
letters, Loan Agreement between the Bank and the
Uganda Protectorate and Project Agreement between
the Bank and the Uganda Electricity Board). Signed
at Washington, on 29 March 1961**

Official text: English.

*Registered by the International Bank for Reconstruction and Development on
7 December 1961.*

**BANQUE INTERNATIONALE
POUR LA RECONSTRUCTION ET LE DÉVELOPPEMENT
et
ROYAUME-UNI DE GRANDE-BRETAGNE ET
D'IRLANDE DU NORD**

**Contrat de garantie — Projet relatif à l'Uganda Electricity
Board (avec, en annexe, le Règlement n° 4 sur les em-
prunts, un échange de lettres, le Contrat d'emprunt
entre la Banque et le Protectorat de l'Ouganda et le
Contrat relatif au projet entre la Banque et l'Uganda
Electricity Board). Signé à Washington, le 29 mars 1961**

Texte officiel anglais.

*Enregistré par la Banque internationale pour la reconstruction et le développement le
7 décembre 1961.*

No. 5990. GUARANTEE AGREEMENT¹(UGANDA ELECTRICITY BOARD PROJECT) BETWEEN THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 29 MARCH 1961

AGREEMENT, dated March 29, 1961, between UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND (hereinafter called the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS by an agreement of even date herewith between the Uganda Protectorate (hereinafter called the Borrower) and the Bank, which agreement and the schedules therein referred to are hereinafter called the Loan Agreement,² the Bank has agreed to make to the Borrower a loan in various currencies equivalent to eight million four hundred thousand dollars (\$8,400,000), on the terms and conditions set forth or referred to in the Loan Agreement, but only on condition that the Guarantor agree to guarantee such loan as hereinafter provided ; and

WHEREAS the Guarantor, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed so to guarantee such loan ;

NOW THEREFORE the parties hereto hereby agree as follows :

Article I

Section 1.01. The parties to this Guarantee Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated February 15, 1961,³ subject, however, to the modifications thereof set forth in Schedule 3⁴ to the Loan Agreement (said Loan Regulations No. 4 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. Wherever used in this Guarantee Agreement, unless the context shall otherwise require, the respective terms which are defined in the Loan Agreement shall have the respective meanings therein set forth.

¹ Came into force on 30 August 1961, upon notification by the Bank to the Government of the United Kingdom of Great Britain and Northern Ireland.

² See p. 310 of this volume.

³ See p. 308 of this volume.

⁴ See p. 328 of this volume.

Article II

Section 2.01. Without limitation or restriction upon any of the other covenants on its part in this Agreement contained, the Guarantor hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of the principal of, and the interest and other charges on, the Loan, the principal of and interest on the Bonds, and the premium, if any, on the prepayment of the Loan or the redemption of the Bonds, all as set forth in the Loan Agreement and in the Bonds.

Section 2.02. Whenever there is reasonable cause to believe that the Borrower will not have sufficient funds to carry out or cause to be carried out the Project in accordance with the Loan Agreement, the Guarantor will, in consultation with the Bank and the Borrower, take appropriate measures to assist the Borrower to obtain the additional funds necessary therefor.

Article III

Section 3.01. It is the mutual understanding of the Guarantor and the Bank that, except as otherwise herein provided, the Guarantor will not grant in favor of any external debt any preference or priority over the Loan. To that end, the Guarantor undertakes that, except as otherwise herein provided or as shall be otherwise agreed between the Guarantor and the Bank, if any lien shall be created on any assets or revenues of the Guarantor as security for any external debt, such lien shall 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 shall be made to that effect. This Section shall not apply to the following :

- (a) the creation of any lien on any property purchased, at the time of the purchase, solely as security for the payment of the purchase price of such property ;
- (b) 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
- (c) any pledge by or on behalf of the Guarantor of any of its assets in the ordinary course of banking business to secure any indebtedness maturing not more than one year after its date.

For the purposes of this Section the expression "assets or revenues of the Guarantor" shall include assets or revenues of any territorial subdivision of the Guarantor which has power to raise revenues by taxation and to charge such revenues or any of its assets as security for external debt ; and the term "external debt" means any debt payable in any medium other than currency of the Guarantor, whether such debt is or may become payable absolutely or at the option of the creditor in such other medium.

Section 3.02. (a) The Guarantor and the Bank shall cooperate fully towards achievement of the purposes of the Loan. 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 Guarantor, such information shall include information with respect to financial and economic conditions in the territories of the Guarantor and the international balance of payments position of the Guarantor.

(b) The Guarantor 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 Guarantor 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) Within the limits of its constitutional powers, the Guarantor shall afford all reasonable opportunity for accredited representatives of the Bank to visit any part of the territories of the Guarantor (including those of the Borrower) for purposes related to the Loan.

Section 3.03. 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 Guarantor; 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 Guarantor.

Section 3.04. This Agreement, the Loan Agreement, the Project Agreement¹ and the Bonds shall be free from any taxes or fees that shall be imposed under the laws of the Guarantor on or in connection with the execution, issue, delivery or registration thereof.

Section 3.05. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid free from all restrictions now or at any time hereafter imposed under the laws of the Guarantor.

Article IV

Section 4.01. The Guarantor shall endorse, in accordance with the provisions of the Loan Regulations, its guarantee on the Bonds to be executed and delivered by the Borrower. The Secretary of the Treasury of the Guarantor and such person or persons as he shall designate in writing are designated as the authorized representatives of the Guarantor for the purposes of Section 6.12 (b) of the Loan Regulations.

¹ See p. 332 of this volume.

Article V

Section 5.01. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Guarantor :

H. M. Treasury
Treasury Chambers
Great George Street
London, S.W.1., United Kingdom

Alternative address for cablegrams and radiograms :

Proflist
London

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 5.02. The Ambassador of the Guarantor to the United States of America is designated for the purposes of Section 8.03 of the Loan Regulations.

Section 5.03. The following event is specified as an additional condition to the effectiveness of this Agreement within the meaning of Section 9.01 (c) of the Loan Regulations : legislation, satisfactory to the Guarantor, to meet the requirements of the Colonial Loans Act, 1949, as amended, has been enacted by the Legislative Council of the Borrower.

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

United Kingdom of Great Britain and Northern Ireland :

By Harold CACCIA
Authorized Representative

International Bank for Reconstruction and Development :

By Eugene R. BLACK
President

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 4, DATED 15 FEBRUARY 1961

REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK TO BORROWERS OTHER THAN
MEMBER GOVERNMENTS

[Not published herein. See *United Nations, Treaty Series, Vol. 400, p. 212*]

EXCHANGE OF LETTERS

I

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

WASHINGTON 25, D.C.

March 29, 1961

Economic Minister
British Embassy
Washington, D. C.

Dear Sir :

In connection with the Bank's proposed loan to the Uganda Protectorate, consideration has been given to the form of negative pledge undertaking to be included in the loan agreement.

The Bank wishes to be sure that the negative pledge undertaking will cover the assets of the Government of the Uganda Protectorate and of its agencies, including those assets which form the backing for the currency circulating in Uganda and which might broadly be termed Uganda's currency reserves. The purpose of this memorandum is to record the Bank's understanding as regards those assets.

The Bank's understanding is as follows :

- (a) that the currency presently circulating in Uganda is that issued by the East African Currency Board under regulations of the Secretary of State for the Colonies ; and that this currency is backed by assets which are held in the name of the Currency Board ;
- (b) that Uganda has no power of disposal in respect of such assets in the hands of the Board ;
- (c) that Her Majesty's Government regards the assets of the East African Currency Board as segregated for the purposes of the Board under the Regulations laid down by the Secretary of State for the Colonies and that the Board has, under those Regulations, an obligation to redeem on demand all of its currency in circulation out of such assets at a stated rate of exchange ;
- (d) that Her Majesty's Government would not permit the pledging or encumbering of such part of the Board's assets as is needed to fulfil its obligations in (c) above.

In sum, the Bank understands that the position regarding the assets which may from time to time represent the amount needed to redeem that part of the currency which could be deemed to be the currency of Uganda is that so long as they are in the hands of the Board they are not capable of being pledged. In the event of the replacement of the Board by a currency authority established in and solely for the purposes of Uganda, to the extent that any share in the Board's assets was established and assumed by such a successor authority, the assets representing this share would fall to be treated as the currency reserve solely of Uganda in which case they would be covered specifically by the language of the negative pledge clause. In the event of the replacement of the Board by an authority serving a number of constituent territories, including Uganda, the assets taken over by the authority would fall to be dealt with in accordance with such regulations or laws as might be made for the establishment and functioning of that authority ; and in such circumstances Her Majesty's Government would not, in so far as it might lie within its powers to do so, pledge or encumber such assets for its own purposes. Since the Bank would proceed with the loan on this basis, it would welcome confirmation that this understanding is correct and that there are no other courses that might be open.

Yours sincerely,

J. Burke KNAPP
Vice-President

II

BRITISH EMBASSY
WASHINGTON

March 29th, 1961

Gentlemen,

Thank you for your letter of today's date regarding Uganda's currency reserves. I confirm that your understanding as set forth in your letter is correct, and that there are no other courses that might be open other than those set out in your letter.

Yours sincerely,

D. B. PITBLADO

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D. C.

LOAN AGREEMENT (UGANDA ELECTRICITY BOARD PROJECT)

AGREEMENT, dated March 29, 1961, between UGANDA PROTECTORATE (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

Article I

LOAN REGULATIONS ; SPECIAL DEFINITIONS

Section 1.01. The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated February 15, 1961,¹ subject, however, to the modifications thereof set forth in Schedule 3^a to this Agreement (such Loan Regulations No. 4 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. Except where the context otherwise requires, the following terms have the following meanings wherever used in the Loan Agreement :

(1) The term "the Board" means the Uganda Electricity Board established under the Uganda Electricity Board Ordinance, as amended, of the Borrower and shall include any successor agency.

(2) The term "Project Agreement"^a means the Agreement of even date herewith between the Bank and the Board.

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 eight million four hundred thousand dollars (\$8,400,000).

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 Borrower shall be entitled, subject to the provisions of the Loan Agreement, to withdraw from the Loan Account in such convertible currencies as the Bank shall reasonably select, amounts equivalent to 60% (or such other percentage as shall be agreed between the Borrower and the Bank) of such amounts as shall have been expended on the Project ; provided, however, that except as shall be otherwise agreed between the Bank and the Borrower, no withdrawals shall be made on account of (i) expenditures prior to January 1, 1959 or (ii) expenditures in the territories of any country (other than Switzerland) which is not a member of the Bank or for goods produced in (including services supplied from) such territories.

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 herein and in Article IV of the Loan Regulations or shall be cancelled pursuant to Article V of the Loan Regulations.

¹ See p. 308 of this volume.

^a See p. 328 of this volume.

^b See p. 332 of this volume.

Section 2.04. The Borrower shall pay interest at the rate of five and three-fourths per cent (5¾%) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

Section 2.05. Interest and other charges shall be payable semi-annually on June 1 and December 1 in each year.

Section 2.06. 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 in accordance with the provisions of this Agreement to expenditures, or to reimbursement of expenditures, on the Project described in Schedule 2² to this Agreement.

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 the Borrower for the time being responsible for finance 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 (a) of the Loan Regulations.

Article V

PARTICULAR COVENANTS

Section 5.01. (a) The Borrower shall enter into a subsidiary loan agreement with the Board, satisfactory to the Bank, providing for the relending of the proceeds of the Loan by the Borrower to the Board and containing appropriate provisions with respect to the financing and carrying out of the Project and of the other obligations of the Borrower and the Board under the Loan Agreement and the Project Agreement. Such subsidiary loan agreement shall not be amended, assigned or abrogated, nor shall any material waiver of any provision thereof be given, without the consent of the Bank.

(b) The Borrower shall cause the Project to be carried out with due diligence and efficiency and in conformity with sound engineering and financial practices.

(c) The Borrower shall cause to be maintained the plant, equipment and other property of the Board and shall cause to be made all necessary renewals and repairs thereof, all in accordance with sound engineering practices ; and shall at all times cause the Board

¹ See p. 324 of this volume.

² See p. 326 of this volume.

to operate such plant, equipment and property and to maintain its financial position in accordance with sound public utility and business practices.

(d) The Borrower shall furnish or 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.

(e) The Borrower shall maintain or cause to be maintained records adequate to show the expenditure of the proceeds of the Loan, 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 Board ; shall enable the Bank's representatives to inspect the Project and all facilities operated by the Board 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 all facilities operated by the Board, all financial transactions between the Borrower and the Board and the operations and financial condition of the Board.

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, or of any of its political subdivisions, or of any agency of the Borrower or of any such political subdivision, 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. If the Borrower, because of limitations of its constitutional powers, shall be unable to make the foregoing effective with respect to any lien on any assets of a political subdivision or agency of a political subdivision, the Borrower shall give to the Bank an equivalent lien satisfactory to the Bank. 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.

As used in this Section, the term "external debt" means any debt payable in any medium other than currency of the Borrower, whether such debt is or may become payable absolutely or at the option of the creditor in such other medium.

Section 5.04. Except as the Bank and the Borrower shall otherwise agree, the Borrower shall not permit the Board to incur any debt unless its net revenues for the fiscal year of the Board next preceding such incurrence or for a later twelve-month period ended prior to such incurrence, whichever are the greater, shall be not less than two times the maximum annual interest requirement on all debt, including the debt to be incurred. For the purposes of this Section :

(a) The term "debt" shall mean all indebtedness of or guaranteed by the Board maturing by its terms more than one year after the date on which it is incurred and all other indebtedness of or guaranteed by the Board to the Government of Uganda ;

(b) The term "incur" with reference to any debt shall include any modification of the terms of payment of such debt. Debt shall be deemed to be incurred on the date of execution and delivery of a contract or loan agreement providing for the incurring of such debt ;

(c) The term "net revenues" shall mean gross revenues from all sources, adjusted to take account of rates for the supply of electricity in effect at the time of the incurrence of debt even though they were not in effect during the fiscal year or twelve-month period to which such revenues related, less (i) all operating and administrative expenses, including provisions for taxes, if any, and (ii) provision covering depreciation computed on a straight-line basis, but before interest and other charges on debt ;

(d) Interest payable in a currency other than currency of the Borrower shall be valued at the rate of exchange at which such other currency is obtainable, on the date the additional debt is incurred, for the purpose of servicing such debt, or if such currency is not so obtainable, at the rate of exchange reasonably determined by the Bank.

Section 5.05. The Borrower shall cause the Board to make from time to time such adjustments in its rates for the supply of electricity as will provide revenues sufficient to enable the Board to cover its operating expenses (including adequate maintenance and renewals, taxes and interest) and repayments on long-term indebtedness ; provided, however, that rates shall be such that the Board shall not earn less than a reasonable return on net investment after charging operating expenses, adequate depreciation, and taxes other than income taxes.

For the purposes of this Section, the term "long-term indebtedness" shall mean any debt maturing by its terms more than one year after the date on which it was originally incurred.

Section 5.06. The Loan Agreement, Guarantee Agreement,¹ Project 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 or cause to be paid 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 5.07. 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 5.08. 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 5.09. Whenever there is reasonable cause to believe that the funds available to the Board will be inadequate to meet the estimated expenditures required for carrying out the Project, the Borrower shall make arrangements, satisfactory to the Bank, promptly to provide the Board or cause the Board to be provided with such funds as are needed to meet such expenditures.

Section 5.10. Unless otherwise agreed between the Borrower and the Bank, if the Board shall repay, in advance of maturity, part, or all, of its indebtedness to the Borrower arising from the relending of the proceeds of the Loan, the Borrower shall repay, in advance of maturity, an equivalent amount of the Loan. To any repayment by the Borrower in accordance with this Section, all the provisions of the Loan Regulations relating to repayment in advance of maturity shall be applicable to the extent that they are not inconsistent herewith.

Article VI

REMEDIES OF THE BANK

Section 6.01. (i) If any event specified in paragraph (a), paragraph (b), paragraph (e), paragraph (f) or paragraph (j) 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 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

¹ See p. 300 of this volume.

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 the Loan Agreement or in the Bonds to the contrary notwithstanding.

Article VII

EFFECTIVE DATE ; TERMINATION

Section 7.01. The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 9.01 (c) of the Loan Regulations :

(a) that the subsidiary loan agreement referred to in Section 5.01 (a) of this Agreement, in form and substance satisfactory to the Bank, has been duly executed and delivered by the Borrower and the Board and has become effective in accordance with its terms ;

(b) that action has been taken, satisfactory to the Bank, to establish a sound financial position for the Board and

(c) that action has been taken to amend or supersede the Uganda Electricity Board Ordinance in a manner satisfactory to the Bank.

Section 7.02. The following are specified as additional matters within the meaning of Section 9.02 (c) of the Loan Regulations, to be included in the opinion or opinions to be furnished to the Bank ;

(a) that the subsidiary loan agreement referred to in Section 5.01 (a) of this Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and the Board and has become effective and is a valid and binding obligation of the parties thereto in accordance with its terms and

(b) that the Project Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Board and constitutes a valid and binding obligation of the Board in accordance with its terms.

Section 7.03. A date 120 days after the date of this Agreement is hereby specified for the purposes of Section 9.04 of the Loan Regulations.

Article VIII

MISCELLANEOUS

Section 8.01. The Closing Date shall be June 30, 1964, or such other date as shall be agreed upon by the Borrower and the Bank.

Section 8.02. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Borrower :

The Ministry of Finance
P.O. Box 103
Entebbe, Uganda

Alternative address for cablegrams and radiograms :

Finsec
Entebbe

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 8.03. The Minister of the Borrower for the time being responsible for finance is designated for the purposes of Section 8.03 (A) 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.

Uganda Protectorate :

By Harold CACCIA
Authorized Representative

International Bank for Reconstruction and Development :

By Eugene R. BLACK
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>
June 1, 1964	\$ 142,000	June 1, 1966	\$ 159,000
December 1, 1964	146,000	December 1, 1966	164,000
June 1, 1965	150,000	June 1, 1967	169,000
December 1, 1965	155,000	December 1, 1967	174,000

* To the extent that any portion of the loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.03), the figures in this column represent dollar equivalents 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>
June 1, 1968	\$ 179,000	June 1, 1975	\$ 265,000
December 1, 1968	184,000	December 1, 1975	273,000
June 1, 1969	189,000	June 1, 1976	281,000
December 1, 1969	194,000	December 1, 1976	289,000
June 1, 1970	200,000	June 1, 1977	297,000
December 1, 1970	206,000	December 1, 1977	306,000
June 1, 1971	212,000	June 1, 1978	315,000
December 1, 1971	218,000	December 1, 1978	324,000
June 1, 1972	224,000	June 1, 1979	333,000
December 1, 1972	230,000	December 1, 1979	343,000
June 1, 1973	237,000	June 1, 1980	353,000
December 1, 1973	244,000	December 1, 1980	363,000
June 1, 1974	251,000	June 1, 1981	373,000
December 1, 1974	258,000		

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 ½ %
More than 6 years but not more than 11 years before maturity	2 ½ %
More than 11 years but not more than 16 years before maturity	3 ½ %
More than 16 years but not more than 18 years before maturity	4 ¾ %
More than 18 years before maturity	5 ¾ %

SCHEDULE 2

DESCRIPTION OF PROJECT

The Project, which is part of the continuing development program of the Board, includes the following :

1. Expansion and improvement of the existing transmission and distribution systems of the Board, including extensions to supply Lira, Gulu, Masindi, Hoima, Kasese, Kilembe and Fort Portal ;
2. Construction of small hydro-electric plants and distribution systems to supply the Kabale and Mbarara areas ; and
3. The provision and installation of small thermal generating plants at various locations, for standby and other purposes.

SCHEDULE 3

MODIFICATIONS OF LOAN REGULATIONS No. 4

For the purposes of this Agreement the provisions of Loan Regulations No. 4 of the Bank, dated February 15, 1961, shall be deemed to be modified as follows :

(a) By the deletion of Section 3.02.

(b) By the deletion of Section 4.01.

(c) By the deletion of subparagraphs (b), (d), (e), (f) and (j) of Section 5.02 and the substitution therefor respectively of the following subparagraphs :

“(b) A default shall have occurred in the payment of principal or interest or any other payment required under any other loan agreement or under any guarantee agreement between the Borrower and the Bank or under any letter of guarantee executed by the Governor of the Borrower in respect of any loan by the Bank to the East Africa High Commission or under any loan agreement or under any guarantee agreement between the Guarantor and the Bank.”

“(d) An extraordinary situation shall have arisen which shall make it improbable that the Borrower or the Guarantor will be able to perform its obligations under the Loan Agreement or the Guarantee Agreement, or there shall occur any such change in the nature and constitution of the Borrower as shall make it improbable that the Borrower will be able to carry out its obligations under the Loan Agreement.”

“(e) The Borrower shall have taken or permitted to be taken any action or proceeding whereby the undertaking of the Board, or any substantial part of such undertaking, shall or may be assigned or in any manner transferred or delivered to any other person, or whereby any property of the Board shall or may be distributed among the creditors of the Board.”

“(f) If the Borrower or any governmental authority having jurisdiction shall take any action for the dissolution or disestablishment of the Board or for the suspension of its operations.”

“(j) The ordinance establishing the Board shall have been so amended that it ceases to be such as shall be required to enable the Board to perform its obligations under the Project Agreement.”

(d) By the insertion in Section 5.06 of the words “, the Project Agreement” after the words “the Loan Agreement”.

(e) By the insertion in Section 6.17 of the words “or the Project Agreement” after the words “the Guarantee Agreement”.

(f) By the deletion of Section 7.02 and the substitution therefor of the following new section :

“SECTION 7.02. *Obligations of Guarantor.* The obligations of the Guarantor under the Guarantee Agreement shall not be discharged except by performance and then only to the extent of such performance. Such obligations shall not be subject to any prior notice to, demand upon or action against the Borrower or the Board or to any prior notice to or demand upon the Guarantor with regard to any default by the

Borrower or the Board, and shall not be impaired by any of the following : any extension of time, forbearance or concession given to the Borrower or the Board ; any assertion of, or failure to assert, or delay in asserting, any right, power or remedy against the Borrower or the Board or in respect of any security for the Loan ; any modification or amplification of the provisions of the Loan Agreement or the Project Agreement contemplated by the terms thereof ; any failure of the Borrower or the Board to comply with any requirement of any law, regulation or order of the Guarantor or of the Borrower or of any political subdivision or agency of the Guarantor or of the Borrower."

(g) By the insertion in Section 7.03 of the words "or Project Agreement" after the words "Guarantee Agreement".

(h) By the deletion of the last sentence of Section 7.04 (h) and the substitution therefor of the following sentence :

"Notwithstanding the foregoing, this Section shall not authorize any entry of judgment or enforcement of the award against the Borrower or Guarantor (as the case may be) except as such procedure may be available against the Borrower or Guarantor (as the case may be) otherwise than by reason of the provisions of this Section."

(i) By the deletion of the first sentence of Section 7.04 (i) and the substitution therefor of the following sentence :

"(i) Service of any notice or process in connection with any proceeding under this Section or in connection with any proceeding to enforce any award rendered pursuant to this Section may be made upon the Bank and (to the extent that such proceeding is available against the Borrower or Guarantor) upon the Borrower or Guarantor in the manner provided in Section 8.01."

(j) By the insertion of the following new Section :

"SECTION 8.03 (A). *Action on Behalf of Borrower.* Any action required or permitted to be taken, and any documents required or permitted to be executed, under the Loan Agreement on behalf of the Borrower may be taken or executed by the representative of the Borrower designated in the Loan Agreement for the purposes of this Section or any person thereunto authorized in writing by him. Any modification of the provisions of the Loan Agreement may be agreed to on behalf of the Borrower by written instrument executed on behalf of the Borrower by the representative so designated or any person thereunto authorized in writing by him ; provided that, in the opinion of such representative, such modification or amplification is reasonable in the circumstances and will not substantially increase the obligations of the Borrower under the Loan Agreement. The Bank may accept the execution by such representative or other person of any such instrument as conclusive evidence that in the opinion of such representative any modification or amplification of the provisions of the Loan Agreement effected by such instrument is reasonable in the circumstances and will not substantially increase the obligations of the Borrower thereunder."

(k) By the insertion in Section 9.01 (c) of the words "and Guarantee Agreement" after the words "the Loan Agreement".

(l) By the deletion of the second sentence in paragraph 7 of Section 10.01 and the substitution thereof of the following sentences :

"Whenever reference is made to the currency of the Guarantor, the term 'currency' means such coin or currency as at the time referred to is legal tender for the payment of public and private debts in the United Kingdom. Whenever reference is made to the currency of the Borrower, the term 'currency' means coin or currency issued by the East African Currency Board, or such other coin or currency as may hereafter become legal tender for the payment of public or private debts in the territories of the Borrower."

(m) By the deletion, in paragraph 12 of Section 10.01, of the word "Guarantor" and the substitution thereof of the word "Borrower"

(n) By the deletion of paragraph 13 of Section 10.01.

(o) By the deletion of the eighth paragraph of the Form of Bond set forth in Schedule 1 and the seventh paragraph of the Form of Bond set forth in Schedule 2 and the substitution thereof, in each such Schedule, of the following paragraph :

"The principal of the Bonds, the interest accruing thereon and the premium, if any, on the redemption thereof shall be paid without deduction for and free from any taxes, imposts, levies or duties of any nature or any restrictions now or at any time hereafter imposed under the laws of [name of Guarantor], or of [the Borrower] or laws in effect in its territories ; *provided, however, that the provisions of this paragraph shall not apply to taxation imposed (a) under the laws of [name of Guarantor] on or in connection with 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 [name of Guarantor] or (b) under the laws of [the Borrower] or laws in effect in its territories on or in connection with 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].*"

PROJECT AGREEMENT

(UGANDA ELECTRICITY BOARD PROJECT)

AGREEMENT, dated March 29, 1961, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and UGANDA ELECTRICITY BOARD (hereinafter called the Board).

WHEREAS by agreement of even date herewith between the Uganda Protectorate and the Bank, which agreement and the schedules and loan regulations therein referred to and incorporated, together with any changes which may be made therein in accordance

with the provisions thereof, are hereinafter called the Loan Agreement,¹ the Bank has agreed to make a loan to the Uganda Protectorate (hereinafter called the Borrower) in various currencies in an amount equivalent to eight million four hundred thousand dollars (\$8,400,000) on the terms and conditions set forth in the Loan Agreement, to be relented to the Board, but only on condition that the Board agree to undertake certain obligations to the Bank as hereinafter provided ; and

WHEREAS the Board has agreed to undertake the obligations hereinafter set forth ;
NOW THEREFORE the parties hereto hereby agree as follows :

Article I

DEFINITIONS

Wherever used in this Agreement, unless the context shall otherwise require, the several terms defined in the Loan Agreement (as above defined) shall have the respective meanings therein set forth and the term "Subsidiary Loan Agreement" means the agreement referred to in Section 5.01 (a) of the Loan Agreement.

Article II

PARTICULAR COVENANTS OF THE BOARD

The Board hereby covenants as follows :

Section 1. The Board will carry out the Project with due diligence and efficiency and in conformity with sound engineering and financial practices.

Section 2. The Board will maintain its plant, equipment and other property and will make all necessary renewals and repairs thereof, all in accordance with sound engineering practices ; and will at all times operate such plant, equipment and property and maintain its financial position in accordance with sound public utility and business practices.

Section 3. The Board will furnish 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.

Section 4. The Board will maintain records adequate to show the expenditure of the proceeds of the Loan, to record the progress of the Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices its operations and financial condition ; will enable the Bank's representatives to inspect the Project and all facilities operated by it and any relevant records and documents ; and will 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 all facilities operated by it, all financial transactions between it and the Borrower and its operations and financial condition.

¹ See p. 310 of this volume.

Section 5. In order that the Bank and the Board may cooperate to the fullest extent in assuring that the purposes of this Agreement shall be accomplished :

(a) The Board will promptly inform the Bank of any condition which prevents, or threatens to prevent, the performance by the Board of its obligations under this Agreement or the Subsidiary Loan Agreement.

(b) Each party to this Agreement will, from time to time, as the other party shall reasonably request, afford such other party all reasonable opportunity for exchanges of views between their respective accredited representatives in regard to any and all matters relating to the Project and the matters covered by this Agreement and the Subsidiary Loan Agreement.

Section 6. Except as the Bank and the Borrower shall otherwise agree, the Board will not incur any debt unless its net revenues for the fiscal year of the Board next preceding such incurrence or for a later twelve-month period ended prior to such incurrence, whichever are the greater, shall be not less than two times the maximum annual interest requirement on all debt, including the debt to be incurred. For the purposes of this Section :

(a) The term "debt" shall mean all indebtedness of or guaranteed by the Board maturing by its terms more than one year after the date on which it is incurred and all other indebtedness of or guaranteed by the Board to the Government of Uganda ;

(b) The term "incur" with reference to any debt shall include any modification of the terms of payment of such debt. Debt shall be deemed to be incurred on the date of execution and delivery of a contract or loan agreement providing for the incurring of such debt ;

(c) The term "net revenues" shall mean gross revenues from all sources, adjusted to take account of rates for the supply of electricity in effect at the time of the incurrence of debt even though they were not in effect during the fiscal year or twelve-month period to which such revenues relate, less (i) all operating and administrative expenses, including provisions for taxes, if any, and (ii) provision covering depreciation computed on a straight-line basis, but before interest and other charges on debt ;

(d) Interest payable in a currency other than currency of the Borrower shall be valued at the rate of exchange at which such other currency is obtainable, on the date the additional debt is incurred, for the purpose of servicing such debt, or if such currency is not so obtainable, at the rate of exchange reasonably determined by the Bank.

Section 7. The Board will from time to time make such adjustments in its rates for the supply of electricity as will provide revenues sufficient to enable it to cover operating expenses (including adequate maintenance and renewals, taxes and interest) and repayments on long-term indebtedness ; provided, however, that rates shall be such that the Board shall not earn less than a reasonable return on net investment after operating expenses, adequate depreciation, and taxes other than income taxes.

For the purposes of this Section, the term "long-term indebtedness" shall mean any debt maturing by its terms more than one year after the date on which it was originally incurred.

Article III

EFFECTIVE DATE ; TERMINATION

Section 1. This Agreement shall come into force and effect on the date when the Loan Agreement and the Guarantee Agreement¹ shall become effective as provided in the Loan Agreement.

Section 2. This Agreement shall terminate and the obligations of the parties hereunder shall cease and determine : (i) if, pursuant to Section 9.04 of the Loan Regulations, the Bank shall terminate the Loan Agreement ; (ii) by agreement between the Bank, the Borrower and the Board ; or (iii) if and when all principal, interest and other sums payable by the Board under the Subsidiary Loan Agreement shall have been paid.

Article IV

MISCELLANEOUS PROVISIONS

Section 1. No holder (other than the Bank) of any Bond shall by virtue of being holder thereof be entitled to exercise any of the rights conferred, or be subject to any of the conditions or obligations imposed, upon the Bank under this Agreement.

Section 2. This Agreement may be executed in several counterparts, each of which shall be an original and all collectively but one instrument.

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 delivered in the District of Columbia, United States of America, as of the day and year first above written.

International Bank for Reconstruction and Development :

By Eugene R. BLACK
President

Uganda Electricity Board :

By Harold CACCIA
Authorized Representative

¹ See p. 300 of this volume.

RELATED LETTERS

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
WASHINGTON 25, D. C.

March 29, 1961

Uganda Protectorate

Gentlemen :

I refer to Section 5.02 (f) of Loan Regulations No. 4, dated February 15, 1961,¹ as modified by and applicable to the Loan Agreement of even date between us. This is to assure you that the disestablishment of the Board by legislation providing for the Board's immediate re-establishment would not, if such legislation provides for the protection of the Bank's rights against the Uganda Electricity Board under the Project Agreement of even date between the Bank and the Board, be considered by the Bank to be an event justifying action by the Bank under Section 5.02 of the Loan Regulations or under Section 6.01 of the Loan Agreement.

Sincerely yours,

International Bank for Reconstruction and Development :

by J. Burke KNAPP
Vice-President

UGANDA PROTECTORATE

March 29, 1961

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

Gentlemen :

We refer to our discussion about Section 5.05 of the Loan Agreement² of even date between us. We understand that this section contains two separate requirements. The first requirement is that earnings of the Uganda Electricity Board (the Board) should be sufficient, with other cash resources of the Board, to provide cash for the payment of the Board's obligations. The second requirement is that the Board should earn a reasonable return.

¹ See p. 308 of this volume.

² See p. 310 of this volume.

In the present circumstances of Uganda we would suggest that a reasonable return to meet the second requirement referred to above would be 7½% on net investment. In computing this rate of return, net investment is taken to mean the gross value, at the beginning of the year for which the return is computed, of total fixed assets less provision for depreciation plus deferred charges.

We have explained to you the reasons why the Board can reach this rate of return only after a period of years. The Board is planning, however, to reach a rate of return of 7½% by 1967 and to this end is undertaking to increase standard tariffs by an average of 18% not later than July 1, 1961.

We appreciate the fact that the Board's heavy burden of debt repayment will require higher earnings from time to time in order to satisfy the first requirement referred to above.

Attached are two schedules¹ setting out the Board's present forecasts covering the period 1961 through 1973. These schedules indicate the levels at which earnings have to be kept in order to meet the requirements of the section.

Could you please confirm your agreement with the foregoing by signing the form of confirmation on the enclosed copy of this letter and returning it to us.

Sincerely yours,

Uganda Protectorate :

By Harold CACCIA
Authorized Representative

Confirmed :

International Bank for
Reconstruction and Development :

By J. Burke KNAPP
Vice-President

¹ See p. 344 of this volume.

UGANDA ELECTRICITY BOARD
FORECAST INCOME STATEMENTS 1961-1973

Years ending December 31	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
Sales (Millions of kwh)													
Uganda :													
General Consumers	121.7	133.9	150.6	167.2	184.5	201.7	219.3	237.9	257.6	278.5	301.1	325.3	351.3
Large Industries	100.0	114.4	124.7	125.5	127.0	128.5	130.0	157.0	157.0	157.0	157.0	157.0	157.0
TOTAL UGANDA	221.7	248.3	275.3	292.7	311.5	330.2	349.3	394.9	414.6	535.5	458.1	492.3	508.3
Kenya Bulk Supply	175.0	190.0	205.0	230.0	260.5	228.5	232.0	236.5	242.0	242.0	242.0	242.0	242.0
TOTAL	396.7	438.3	480.3	522.7	572.0	558.7	581.3	631.4	656.6	677.5	700.1	724.3	750.3
	-----in Thousands of Pounds-----												
Revenues													
Standard Tariffs*	1,667	1,984	2,182	2,378	2,572	2,778	3,000	3,239	3,498	3,777	4,079	4,405	4,757
Up Country Schemes			107	143	175	203	245	272	298	326	352	380	411
Large Industries	270	307	346	350	371	396	439	506	506	506	506	506	506
Kenya Bulk Supply	283	288	345	398	464	398	398	398	398	398	398	398	398
Rentals	5	6	6	7	8	9	10	11	12	13	14	15	16
TOTAL	2,225	2,585	2,986	3,276	3,590	3,784	4,092	4,426	4,712	5,020	5,349	5,704	6,088
Operating Expenses													
Costs of Operations	560	588	647	679	712	748	785	823	864	907	952	999	1,049
Depreciation	591	779	870	890	915	923	928	966	988	1,009	1,045	1,071	1,050
TOTAL	1,151	1,367	1,517	1,569	1,627	1,671	1,713	1,789	1,852	1,916	1,997	2,070	2,099
Gross Income	1,074	1,218	1,469	1,707	1,963	2,113	2,379	2,637	2,860	3,104	3,352	3,634	3,989

NOTES : It has been assumed in these calculations that the rate of interest on the extended amounts of the Uganda Government 3 ½ % Stock and 4 ¾ % Stock and the UEB 5 % Stock to be outstanding after their original maturities, would be 6 %. It has also been assumed that the proposed new United Kingdom Exchequer Loan would be for a term of 25 years, including a two-year grace period, with interest at 6 ¼ %.

* Standard Tariffs have been assumed to be increased by 18 % as of July 1, 1961.

UGANDA ELECTRICITY BOARD

FORECAST INCOME STATEMENTS 1961-1973 (continued)

Years ending December 31	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
<i>Income Deductions</i>													
Interest Paid	1,466	1,521	1,544	1,543	1,526	1,508	1,489	1,450	1,393	1,309	1,219	1,128	1,034
Interest Charges to Construction (Credit)	(34)	(90)	(18)	(24)	(25)	(26)	(33)	(20)	(28)	(33)	(25)	(24)	(24)
Interest Earned (Credit) . .	(64)	(73)	(82)	(91)	(102)	(111)	(122)	(133)	(146)	(14)	(16)	(17)	(19)
TOTAL	1,368	1,358	1,444	1,428	1,399	1,371	1,334	1,297	1,219	1,262	1,178	1,087	991
<i>Net Surplus (Deficit)</i>	(294)	(140)	25	279	564	742	1,045	1,340	1,641	1,842	2,174	2,547	2,998
<i>Net Fixed Assets (Including Deferred Expenditures) at Beginning of Period</i>													
	28,958	29,585	30,539	30,266	30,169	30,073	30,012	30,191	29,893	29,841	29,931	29,716	29,437
<i>Return—Gross Income as % of Net Fixed Assets (Including Deferred Expenditures) at Beginning of Period . .</i>													
	3.71%	4.12%	4.81%	5.64%	6.51%	7.03%	7.93%	8.73%	9.57%	10.40%	11.20%	12.23%	13.55%

UGANDA ELECTRICITY BOARD

FORECAST SOURCES AND APPLICATIONS OF FUNDS 1961-1973

No. 5990

Years ending December 31	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
in Thousands of Pounds													
<i>Sources of Funds</i>													
Internal Cash Generation :													
Gros Income	1,074	1,218	1,469	1,707	1,963	2,113	2,379	2,637	2,860	3,104	3,352	3,634	3,989
Depreciation	591	779	870	890	915	923	928	966	988	1,009	1,045	1,071	1,050
TOTAL	1,665	1,997	2,339	2,597	2,878	3,036	3,307	3,603	3,848	4,113	4,397	4,705	5,039
Borrowings :													
Proposed IBRD Loan . .	1,826	864	310										
Proposed Exchequer Loan	2,300												
TOTAL	4,126	864	310										
Contributions and Interest													
Received	24	24	24	24	24	24	24	24	24	24	24	24	24
Available from Sinking Fund									3,032				170
TOTAL SOURCES OF FUNDS	5,815	2,885	2,673	2,621	2,902	3,060	3,331	3,627	6,904	4,137	4,421	4,729	5,233
<i>Applications of Funds</i>													
Additions to Plant	1,128	1,658	597	793	819	862	1,107	668	936	1,099	830	792	796

NOTE : It has been assumed in these calculations that the rate of interest on the extended amounts of the Uganda Government 3 ½ % Stock and 4 ¾ % Stock and the UEB 5 % Stock to be outstanding after their original maturities, would be 6 %. It has also been assumed that the proposed new United Kingdom Exchequer Loan be for a term of 25 years, including a two-year grace period, with interest at 6 ¼ %.

UGANDA ELECTRICITY BOARD

FORECAST SOURCES AND APPLICATIONS OF FUNDS 1961-1973 (continued)

Years ending December 31	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
in Thousands of Pounds													
Debt Service :													
Interest	1,466	1,521	1,544	1,543	1,526	1,508	1,489	1,450	1,393	1,309	1,219	1,128	1,034
Amortization	2,466	84	153	289	306	324	844	1,364	4,569	1,509	1,533	1,558	1,786
TOTAL	3,932	1,605	1,697	1,832	1,832	1,832	2,333	2,814	5,962	2,818	2,752	2,686	2,820
Sinking Fund Requirement	131	131	131	131	131	131	131	131	131	40	40	40	40
TOTAL APPLICATIONS OF FUNDS	5,191	3,394	2,425	2,756	2,782	2,825	3,571	3,613	7,029	3,957	3,625	3,518	3,656
Cash Surplus or (Deficit) . . .	624	(509)	248	(135)	120	235	(240)	14	(125)	180	799	1,211	1,577
Cumulative Cash Surplus . . .	624	115	363	228	348	583	343	357	232	412	1,211	2,422	3,999
Times Interest Covered by Gross Income	—	—	—	1.10	1.28	1.38	1.57	1.80	2.03	2.34	2.71	3.18	3.76

UGANDA PROTECTORATE

March 29, 1961

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

Gentlemen :

We refer to Section 5.03 of the Loan Agreement of even date between us.

We hereby request your agreement that said Section shall not apply to liens, as defined in the Loan Agreement, to be created on the assets of the Uganda Development Corporation Limited, or on the assets of corporations controlled by it, to secure external indebtedness, the proceeds of which are to be used to further the commercial purposes of these corporations.

If you can give your agreement pursuant to this request, please do so by signing the form of confirmation on the enclosed copy of this letter and returning it to us.

Yours sincerely,

Uganda Protectorate :

By Harold CACCIA
Authorized Representative

Confirmed :

International Bank for
Reconstruction and Development :

By J. Burke KNAPP
Vice-President

UGANDA ELECTRICITY BOARD

March 29, 1961

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

Gentlemen :

We refer to our discussion about Article II, Section 7 of the Project Agreement¹ of even date between us. We understand that this section contains two separate require-

¹ See p. 332 of this volume.

ments. The first requirement is that earnings of the Board should be sufficient, with other cash resources of the Board, to provide cash for the payment of the Board's obligations. The second requirement is that the Board should earn a reasonable return.

In the present circumstances of Uganda we would suggest that a reasonable return to meet the second requirement referred to above would be 7½% on net investment. In computing this rate of return, net investment is taken to mean the gross value, at the beginning of the year for which the return is computed, of total fixed assets less provision for depreciation plus deferred charges.

We have explained to you the reasons why we can reach this rate of return only after a period of years. We are planning, however, to reach a rate of return of 7½% by 1967 and to this end are undertaking to increase standard tariffs by an average of 18% not later than July 1, 1961.

We appreciate the fact that our heavy burden of debt repayment will require higher earnings from time to time in order to satisfy the first requirement referred to above.

Attached are two schedules¹ setting out our present forecasts covering the period 1961 through 1973. These schedules indicate the levels at which earnings have to be kept in order to meet the requirements of the section.

Could you please confirm your agreement with the foregoing by signing the form of confirmation on the enclosed copy of this letter and returning it to us.

Sincerely yours,

Uganda Electricity Board :

By Harold CACCIA
Authorized Representative

Confirmed :

International Bank for
Reconstruction and Development :

By J. Burke KNAPP
Vice-President

UGANDA ELECTRICITY BOARD
Forecast Income Statements 1961-1973

[See page 344 of this volume]

UGANDA ELECTRICITY BOARD
Forecast Sources and Applications of Funds 1961-1973

[See page 348 of this volume]

¹ See pp. 344 and 348 of this volume.