

No. 7480

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

**Guarantee Agreement—*Transmission Project* (with annexed
Loan Regulations No. 4 and Loan Agreement between
the Bank and the Electricity Corporation of Nigeria).
Signed at Washington, on 12 March 1964**

Official text: English.

*Registered by the International Bank for Reconstruction and Development on
25 November 1964.*

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

**Contrat de garantie—*Projet relatif au transport de l'énergie
électrique* (avec, en annexe, le Règlement n° 4 sur les
emprunts et le Contrat d'emprunt entre la Banque
et l'Electricity Corporation of Nigeria). Signé à Wa-
shington, le 12 mars 1964**

Texte officiel anglais.

*Enregistré par la Banque internationale pour la reconstruction et le développement
le 25 novembre 1964.*

No. 7480. GUARANTEE AGREEMENT¹ (*TRANSMISSION PROJECT*) BETWEEN THE FEDERAL REPUBLIC OF NIGERIA AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 12 MARCH 1964

AGREEMENT, dated March 12, 1964, between FEDERAL REPUBLIC OF NIGERIA (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 Bank and Electricity Corporation of Nigeria (hereinafter called the Borrower), 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 thirty million dollars (\$30,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agree to guarantee the obligations of the Borrower in respect of 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 to guarantee such obligations of the Borrower;

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, 1961³ (said Loan Regulations No. 4 being hereinafter called the Loan Regulations) with the same force and effect as if they were fully set forth herein.

Section 1.02. The term defined in Section 1.02 of the Loan Agreement shall have the same meaning herein.

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 un-

¹ Came into force on 10 August 1964, upon notification by the Bank to the Government of Nigeria.

² See p. 334 of this volume.

³ See p. 332 of this volume.

conditionally 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, the premium, if any, on the prepayment of the Loan or the redemption of the Bonds and the punctual performance of all the covenants and agreements of the Borrower, all as set forth in the Loan Agreement and in the Bonds.

Section 2.02. Without limitation or restriction upon the provisions of Section 2.01 of this Agreement, the Guarantor specifically undertakes, whenever there is reasonable cause to believe that the funds available to the Borrower will be inadequate to meet the estimated expenditures required for carrying out the Project or the Program, to make arrangements, satisfactory to the Bank, promptly to provide the Borrower or cause the Borrower to be provided with such funds as are needed to meet such expenditures.

Article III

Section 3.01. It is the mutual intention of the Guarantor and the Bank that no other external debt shall enjoy any priority over the Loan by way of a lien on public assets. To that end, the Guarantor undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Guarantor 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 Guarantor ” as used in this Section includes assets of the Guarantor or of any of its political subdivisions or of any agency of the Guarantor or of any such political subdivision, including, without limitation, the Central Bank of Nigeria or any other institution performing the functions of a central bank.

Section 3.02. (a) The Guarantor 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 either 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) The Guarantor shall afford all reasonable opportunity for accredited representatives of the Bank to visit any part of the territories of the Guarantor 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 imposed under the laws of the Guarantor or laws in effect in its territories; provided, however, that the provisions of this Section shall not apply to taxation of 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 and the Bonds shall be free from any taxes that shall be imposed under the laws of the Guarantor or laws in effect in its territories 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 imposed under the laws of the Guarantor or laws in effect in its territories.

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 Minister of Finance 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.

Article V

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

For the Guarantor :

Permanent Secretary
Ministry of Finance
Lagos, Nigeria

Alternative address for cables and radiograms :

Secfinance
Lagos

For the Bank :

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Alternative address for cables and radiograms :

Intbafrad
Washington, D.C.

Section 5.02. The Minister of Finance of the Guarantor 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 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.

Federal Republic of Nigeria :

by Prince A. LAMUYE
Authorized Representative

International Bank for Reconstruction and Development :

by J. Burke KNAPP
Vice 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.*]

LOAN AGREEMENT
(TRANSMISSION PROJECT)

AGREEMENT, dated March 12, 1964, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and ELECTRICITY CORPORATION OF NIGERIA (hereinafter called the Borrower).

Article I

LOAN REGULATIONS; DEFINITION

Section 1.01. The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated February 15, 1961¹ (said Loan Regulations No. 4 being hereinafter called the Loan Regulations) with the same force and effect as if they were fully set forth herein.

Section 1.02. Whenever used in this Loan Agreement, the term "Program" shall mean the six year (1963-1969) program of the Borrower as set forth in a document entitled Summary of Capital Program of Electricity Corporation of Nigeria, 1963-1969, dated August 23, 1963, as amended from time to time by agreement between the Bank and the Borrower.

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 thirty million dollars (\$30,000,000).

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

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.

Section 2.04. The Borrower shall pay interest at the rate of five and one-half per cent ($5\frac{1}{2}$ %) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

Section 2.05. Except as the Bank and the Borrower 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.

¹ See p. 332 of this volume.

Section 2.06. Interest and other charges shall be payable semiannually on March 1 and September 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 LOAN

Section 3.01. The Borrower shall apply the proceeds of the Loan exclusively to financing the cost of goods required to carry out the 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 Bank and the Borrower, subject to modification by further agreement between them.

Section 3.02. Except as the Bank and the Borrower shall otherwise agree, the Borrower shall cause all goods financed out of the proceeds of the Loan to be imported into the territories of the Guarantor and there to be used 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 Chairman of the Borrower and such person or persons as he shall appoint in writing are designated as authorized representatives of the Borrower for the purposes of Section 6.12 (a) of the Loan Regulations.

Article V

PARTICULAR COVENANTS

Section 5.01. (a) The Borrower shall carry out the Project with due diligence and efficiency and in conformity with sound engineering, financial and business practices.

(b) The Borrower shall furnish to the Bank, promptly upon their preparation, the plans and specifications and the construction schedules for the Project and any material modifications subsequently made therein, in such detail as the Bank shall request.

(c) The Borrower shall : (i) maintain records adequate to identify the goods financed out of the proceeds of the Loan, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect in accordance with

¹ See p. 348 of this volume.

consistently maintained sound accounting practices the operations and financial condition of the Borrower; and (ii) enable the Bank's representatives to inspect its properties and operations, including the sites, works and construction included in the Project, the goods and any relevant records and documents.

(d) In connection with the Project, the Borrower shall employ engineering consultants acceptable to, and to an extent and upon terms and conditions satisfactory to, the Bank and the Borrower.

Section 5.02. (a) The Bank and the Borrower shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, the Bank and the Borrower shall from time to time, at the request of either party, exchange views through their representatives with regard to the performance by the Borrower of its obligations under the Loan Agreement, the administration, operations and financial condition of the Borrower and other matters relating to the purposes of the Loan.

(b) The Borrower shall furnish to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the goods financed out of such proceeds, the Project, and the administration, operations and financial condition of the Borrower.

(c) 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, the maintenance of the service thereof or the performance by the Borrower of its obligations under the Loan Agreement.

Section 5.03. 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 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; or (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

Section 5.04. The Borrower shall pay or cause to be paid all taxes, if any, imposed under the laws of the Guarantor or laws in effect in the territories of the Guarantor on or in connection with the execution, issue, delivery or registration of this Agreement, the Guarantee Agreement¹ or the Bonds, or the payment of principal, interest or other charges thereunder; provided, however, that the provisions of this Section shall not apply to taxes on 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.

¹ See p. 326 of this volume.

Section 5.05. The Borrower shall pay or cause to be paid all taxes, 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 on or in connection with the execution, issue, delivery or registration of this Agreement, the Guarantee Agreement or the Bonds.

Section 5.06. (a) The Borrower shall, except as the Bank shall otherwise agree, take all steps necessary to maintain and renew all rights, powers, privileges and franchises which are necessary or useful for its operations.

(b) Except as the Bank and the Borrower shall otherwise agree, the Borrower shall not transfer, or permit to be transferred, to any other person or entity any portion of its property the transfer of which would in any manner significantly affect the operations or the financial position of the Borrower.

(c) The Borrower shall operate and maintain its plants, equipment and other property and from time to time make all necessary renewals and repairs thereof and shall at all times carry on its operations in an efficient manner under capable management and with competent staff and maintain its financial position, all in accordance with sound business, engineering and public utility practices. In that connection, the Borrower shall from time to time take all steps necessary to obtain revenues from its operations sufficient to provide a reasonable return on its assets.

Section 5.07. Except as the Bank and the Borrower shall otherwise agree, the Borrower shall not: (i) incur any debt prior to April 1, 1966; and (ii) thereafter incur any debt unless its net revenue for the fiscal year next preceding such incurrence or for a later twelve-month period ended prior to such incurrence, whichever is the greater, shall be not less than 1.5 times the maximum debt service requirement for any succeeding fiscal year on all debt, including the debt to be incurred. For the purposes of this Section:

(a) the term "debt" shall include the assumption and guarantee of debt and shall mean all indebtedness of the Borrower maturing by its terms more than one year after the date on which it is originally incurred;

(b) debt shall be deemed to be incurred on the date of execution and delivery of a contract or loan agreement providing for such debt;

(c) the term "net revenue" shall mean gross revenue from all sources, adjusted to take account of power rates 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 revenue relates, less all operating and administrative expenses and provision for taxes, if any, but before provision covering depreciation, interest and other charges on debt;

(d) the term "debt service" shall mean the aggregate amount of amortization (including sinking fund payments, if any), interest and other charges on debt; and

(e) debt service payable in a currency other than currency of the Guarantor shall be valued at the rate of exchange at which such other currency is obtainable, on the date the additional debt is incurred, or, if such currency is not so obtainable, at the rate of exchange as reasonably determined by the Bank.

Section 5.08. Except as the Bank shall otherwise agree, the Borrower shall not, prior to the completion of the Program, undertake any major project or program other than the Program. For the purposes of this Section, a generating plant of 5,000 kw or smaller, a substation with a transformer capacity of 15,000 KVA or smaller and a transmission line of 66 KV or less and which is less than 50 miles in length shall not be considered a major project or program.

Section 5.09. The Borrower shall, at a reasonable time prior to the appointment of a General Manager of the Borrower, notify the Bank of any proposal to make such appointment and shall not make such appointment unless the qualifications and experience of the proposed candidate are acceptable to the Bank.

Section 5.10. Except as the Bank shall otherwise agree, the Borrower shall not repay (a) any debt to the Guarantor (or any agency or political subdivision thereof) in advance of the maturity of such debt or (b) any investment of the Guarantor in the Borrower.

Section 5.11. The Borrower shall engage or appoint as auditor one or more independent public accountants satisfactory to the Bank, and the accounts of the Borrower shall be audited by such accountant or accountants as at the end of each fiscal year.

Section 5.12. (a) Except as shall be otherwise agreed between the Bank and the Borrower, the Borrower shall insure or cause to be insured the goods financed out of the proceeds of the Loan against risks incident to their purchase and transportation to the site of the Project. Such insurance shall be consistent with sound commercial practice and shall be payable in the currency in which the cost of the goods insured thereunder shall be payable or in any other currency which the Borrower can convert into such currency.

(b) The Borrower shall take out and maintain with good and reputable insurance companies insurance against such risks and in such amounts as shall be consistent with sound public utility and business practices.

Article VI

REMEDIES OF BANK

Section 6.01. (i) If any event specified in paragraph (a), paragraph (b), paragraph (e) or paragraph (f) 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 or if any event specified in Section 6.02 of this Agreement 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. The following is specified as an additional event for the purposes of Section 5.02 of the Loan Regulations :

The Electricity Corporation of Nigeria Act (Chapter 58 of the Laws of the Federation of Nigeria and Lagos), as amended prior to the date of the Loan Agreement, shall have been suspended, terminated or repealed, or amended so as to affect in any manner the ability of the Borrower to carry out the covenants and agreements set forth in the Loan Agreement, without the agreement of the Bank.

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 (b) of the Loan Regulations :

(a) That the Borrower shall have entered into an agreement for the financing and construction of a gas turbine generating plant at Ughelli.

(b) That such arrangements for the appointment of a General Manager of the Borrower shall have been made as, in the opinion of the Bank, shall be required to enable the Borrower to carry on its operations in an efficient manner under capable management.

Section 7.02. The following is specified as an additional matter, 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 :

That the Borrower has full power and authority to construct and operate the Project and that all acts, consents, sanctions and approvals necessary therefor have been fully and validly performed or given.

Section 7.03. A date 60 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 August 31, 1966 or such other date as shall be agreed from time to time by the Bank and the Borrower.

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

For the Borrower :

Electricity Corporation of Nigeria
Electricity Headquarters
24/25 Marina
P.M.B. 2030
Lagos, Nigeria

Alternative address for cables and radiograms :

Nigerpower
Lagos

For the Bank :

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington D.C. 20433
United States of America

Alternative address for cables and radiograms :

Intbafrad
Washington, D.C.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be executed in their respective names, and to be 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 J. Burke KNAPP
Vice President

Electricity Corporation of Nigeria :

by Mallam I. USMAN
Authorized Representative

The Common Seal of the Electricity Corporation of Nigeria has been hereunto affixed in accordance with Section 4 (1) of the Electricity Corporation of Nigeria Act and the affixing thereof has been duly authenticated by

Mallam I. USMAN
Chairman

A. ATTA
Secretary

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>
September 1, 1966	\$520,000	September 1, 1975	850,000
March 1, 1967	535,000	March 1, 1976	870,000
September 1, 1967	550,000	September 1, 1976	895,000
March 1, 1968	565,000	March 1, 1977	920,000
September 1, 1968	580,000	September 1, 1977	945,000
March 1, 1969	595,000	March 1, 1978	970,000
September 1, 1969	615,000	September 1, 1978	1,000,000
March 1, 1970	630,000	March 1, 1979	1,025,000
September 1, 1970	645,000	September 1, 1979	1,055,000
March 1, 1971	665,000	March 1, 1980	1,085,000
September 1, 1971	685,000	September 1, 1980	1,115,000
March 1, 1972	700,000	March 1, 1981	1,145,000
September 1, 1972	720,000	September 1, 1981	1,175,000
March 1, 1973	740,000	March 1, 1982	1,205,000
September 1, 1973	760,000	September 1, 1982	1,240,000
March 1, 1974	780,000	March 1, 1983	1,275,000
September 1, 1974	805,000	September 1, 1983	1,315,000
March 1, 1975	825,000		

* To the extent that any part 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.

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 three years before maturity	½%
More than three years but not more than six years before maturity	1½%
More than six years but not more than eleven years before maturity	2½%
More than eleven years but not more than sixteen years before maturity	3½%
More than sixteen years but not more than eighteen years before maturity	4½%
More than eighteen years before maturity	5½%

SCHEDULE 2

DESCRIPTION OF PROJECT

The Project is part of the Program and includes the following facilities :

A. 330 kv and 132 kv Facilities

(1) A 132 kv single circuit steel tower transmission line about 135 miles long from Kaduna to Kano.

(2) A 132 kv double circuit steel tower transmission line about 62 miles long from Ughelli to Benin.

(3) A 330 kv single circuit steel tower transmission line about 320 miles long from Benin to Lagos.

(4) A 330 kv single circuit steel tower transmission line about 85 miles long from Aba to Onitsha.

(5) A 132 kv single circuit steel tower transmission line about 38 miles long from Onitsha to the Oji River Power Station.

(6) Substations with approximate transformer capacities as indicated and appropriate switching at :

(a) Ughelli (66 MVA)

(b) Benin (7.5 MVA)

(c) Akure (10 MVA)

(d) Erinle (5 MVA)

(e) Shagamu (5 MVA)

(f) Lagos (60 MVA)

(g) Afam Power Station (22 MVA)

(h) Port Harcourt (30 MVA)

(i) Onitsha (15 MVA)

(j) Oji River Power Station (30 MVA)

(k) Kaduna (30 MVA)

(l) Zaria (15 MVA)

(m) Kano (15 MVA).

(7) A shunt reactor at Ibadan and appropriate switching.

(8) A 132 kv switching station at Aba.

(9) Powerline carrier current supervisory control and communication equipment for the Ughelli-Lagos, Afam-Oji River and Kaduna-Kano transmission systems.

B. 33 kv Facilities

Main power cables, feeder cables, transformers, switchgear, ground connections, racks, fittings, trenches and supporting structures for the Port Harcourt, Lagos and Ibadan systems.

C. Distribution Facilities

Extension and reinforcement of distribution networks to provide sufficient capacity to meet the forecasted load growth.

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* *

The Project is scheduled for completion by August 31, 1966.

LETTER RELATING TO THE LOAN AGREEMENT

ELECTRICITY CORPORATION OF NIGERIA
LAGOS, NIGERIA

March 12, 1964

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

Loan No. 372 UNI
Rate of Return

Dear Sirs :

Please refer to Section 5.06 (c) of the Loan Agreement (*Transmission Project*) between the International Bank for Reconstruction and Development and the Electricity Corporation of Nigeria (ECN) of even date herewith.¹ Such Section provides, among other things, that ECN shall from time to time take all steps necessary to obtain revenues from its operations sufficient to provide a reasonable return on its assets.

This letter will confirm the understanding reached during negotiations that, as indicated in the financial projections attached hereto² which were based on present electricity rates and present estimates for the sale of electricity, ECN will be able to provide from cash internally generated about 50% of the total investment expenditures envisaged during the six year construction period of the Program described in the Loan Agreement. It is our intention in order to provide not less than 45% of the total investment expenditures from cash internally generated that the levels of return (as indicated in such financial projections) will be maintained during such six year period.

Subsequent to such six year period we shall take such steps as are necessary to assure a return on the fixed assets reasonably valued of ECN of not less than 8%.

The computations to be used for calculation of the rate of return for the purposes of this letter are as follows :

1. The term "fixed assets reasonably valued" means the average of the net fixed assets in operation at the beginning and end of each year based on historical cost and actual cost for new additions, after deducting the total depreciation reserve computed in accordance with the straight-line method at the annual rates of depreciation which became effective as of April 1, 1961.

2. The term "return" means the net amount of income after deducting from gross operating revenue all expenses of operation, including adequate maintenance and depreciation, administration and general expenses and taxes, but excluding interest and other charges on debt.

¹ See p. 334 of this volume.

² See p. 356 of this volume.

Should it appear at any time that the rate of return would be less than 8%, ECN will inform, and consult with, the Bank.

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.

Very truly yours,

Electricity Corporation of Nigeria :
by Mallam I. USMAN
Authorized Representative

Confirmed :

International Bank for Reconstruction
and Development :
by Pierre L. MOUSSA

Enclosure

TRANSMISSION PROJECT
THE ELECTRICITY CORPORATION OF NIGERIA
ACTUAL AND ESTIMATED INCOME STATEMENTS
(in thousands of ₦s Nigerian)

Fiscal Year Ended March 31	Actual				Estimate					
	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969
Units generated—million kwh	361	448	549	659	804 ¹	957 ¹	1,112 ¹	1,280 ¹	1,458 ¹	1,656 ¹
Units sold—million kwh	287	360	438	524	637	756	879	997	1,120	1,241
Average revenue per kwh (in pence)	3,85	3,77	3,71	3,65	3,59	3,55	3,49	3,47	3,44	3,42
Revenue										
Sale of electricity	4,607	5,656	6,778	7,967	9,528	11,182	12,782	14,415	16,053	17,684
Other operating revenue	69	83	85	84	82	91	98	103	108	112
TOTAL OPERATING REVENUE	4,676	5,739	6,863	8,051	9,610	11,273	12,880	14,518	16,161	17,796
Cost of Operations										
Generation	2,039	2,140	2,503	3,197	3,060	3,528	3,559	3,876	4,213	4,727
Transmission and distribution	293	381	461	546	575	641	711	799	863	920
Administration	431	514	585	672	679	734	773	827	876	920
Travel and transport	105	111	151	174	169	190	207	228	242	254
Allocated central services expense . .	345	443	583	739	970	1,170	1,370	1,470	1,520	1,570
Depreciation	766	884	1,714	2,037	2,200	2,600	3,400	4,200	4,700	4,900
TOTAL COST OF OPERATIONS	3,979	4,473	5,997	7,365	7,653	8,863	10,020	11,400	12,414	13,291
Net Income from Operations	697	1,266	866	686	1,957	2,410	2,860	3,118	3,747	4,505
Net Miscellaneous Income or (Expense)	42	58	85	(25)	(10)	(10)	(10)	(10)	(10)	(10)
Net Income	739	1,324	951	661	1,947	2,400	2,850	3,108	3,737	4,495

¹ Based on Merz-McLellan's "Supplementary Report on Market for Electricity," May 1962.

Fiscal Year Ended March 31	Actual				Estimate					
	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969
<i>Less Interest Expense</i>										
Overdraft and extended credit facilities				26	16					
Federal Government loans—fixed interest	163	214	271	365	378	416	532	617	611	605
Federal Government loan—5 year maturity					100	100	100	75	50	
Proposed IBRD loan					87	303	460	589	569	547
Less interest capitalized during construction					(87)	(303)	(460)	(221)		
Proposed UK loan					14	36	53	69	83	88
Less interest capitalized during construction					(14)	(36)	(53)	(69)	(83)	
Proposed future long-term loans							31	115	191	217
Less interest capitalized during construction							(31)	(115)	(191)	
Assumed local bank loan						31	25	19	12	6
Suppliers credits					38	79	172	240	294	212
Assumed Federal Government loans—fixed interest										60
TOTAL INTEREST EXPENSE	163	214	271	391	532	626	829	1,319	1,536	1,735
<i>Net Income after Interest Expense</i>	576	1,110	680	270	1,415	1,774	2,021	1,789	2,201	2,760
<i>Payment on Federal Government Investment</i>	136	268	157	67	354	421	421	421	421	421
<i>Balance to Surplus</i>	440	842	523	203	1,061	1,353	1,600	1,368	1,780	2,339
Operating Ratio (total cost of operations to total operating revenue)	85.1%	77.9%	87.4%	91.5%	79.6%	78.6%	77.8%	78.5%	76.8%	74.7%

TRANSMISSION PROJECT

THE ELECTRICITY CORPORATION OF NIGERIA

FORECAST OF SOURCES AND APPLICATIONS OF FUNDS

(in thousands of £s Nigerian)

Year Ending March 31	Forecast						Forecast Summary		
	1964	1965	1966	1967	1968	1969	Three Year Totals		Six Year Totals
							1964-1966	1967-1969	1964-1969
<i>Sources of Funds</i>									
<i>Internal Cash Generation</i>									
Net income from operations	1,947	2,400	2,850	3,108	3,737	4,495	7,197	11,340	18,537
Depreciation	2,200	2,600	3,400	4,200	4,700	4,900	8,200	13,800	22,000
Total internal cash generation	<u>4,147</u>	<u>5,000</u>	<u>6,250</u>	<u>7,308</u>	<u>8,437</u>	<u>9,395</u>	<u>15,397</u>	<u>25,140</u>	<u>40,537</u>
<i>Borrowings</i>									
Regional Government loans—interest free	112	400	600	550	440		1,112	990	2,102
Proposed IBRD loan	2,668	4,905	2,620	521			10,193	521	10,714
Proposed UK loan	510	300	300	300	190		1,110	490	1,600
Proposed future foreign loan			1,115	1,957	802	76	1,115	2,835	3,950
Assumed local bank loan	480						480		480
Suppliers credits	2,533	3,427	610	10			6,570	10	6,580
Assumed Federal Government loan—fixed interest	1,000	2,500					3,500		3,500
Total borrowings	<u>7,303</u>	<u>11,532</u>	<u>5,245</u>	<u>3,338</u>	<u>1,432</u>	<u>76</u>	<u>24,080</u>	<u>4,846</u>	<u>28,926</u>
TOTAL SOURCES OF FUNDS	<u>11,450</u>	<u>16,532</u>	<u>11,495</u>	<u>10,646</u>	<u>9,869</u>	<u>9,471</u>	<u>39,477</u>	<u>29,986</u>	<u>69,463</u>
<i>Applications of Funds</i>									
Construction Expenditures (excluding interest capitalized during construction)	<u>10,006</u>	<u>14,085</u>	<u>8,001</u>	<u>6,562</u>	<u>4,686</u>	<u>2,868</u>	<u>32,092</u>	<u>14,116</u>	<u>46,208</u>

No. 7480

	Forecast							Forecast Summary		
	Year Ending March 31	1964	1965	1966	1967	1968	1969	Three Year Totals		Six Year Totals
								1964-1966	1967-1969	1964-1969
<i>Debt Service</i>										
<i>Interest</i>										
Federal Government loans—fixed interest	478	516	632	692	661	605	1,626	1,958	3,584	
Proposed IBRD loan—capitalized interest	87	303	460	221			850	221	1,071	
—interest expense				368	569	547		1,484	1,484	
Proposed UK loan—capitalized interest	14	36	53	69	83		103	152	255	
—interest expense						88		88	88	
Proposed future long term loan—capitalized interest			31	115	191		31	306	337	
—interest expense						217		217	217	
Assumed local bank loan		31	25	19	12	6	56	37	93	
Suppliers credits—interest expense	38	79	172	240	294	212	289	746	1,035	
Overdraft	16						16		16	
Assumed Federal Government loans—fixed interest						60		60	60	
Total Interest	633	965	1,373	1,724	1,810	1,735	2,971	5,269	8,240	
<i>Amortization</i>										
Regional Government loans—interest free			6	83	83	187	6	353	359	
Federal Government loans—fixed interest	78	87	103	117	123	129	268	369	637	
Federal Government loans—5 year maturity			500	500	1,000		500	1,500	2,000	
Proposed IBRD loan				372	392	414		1,178	1,178	
Proposed UK loan						45		45	45	
Proposed future long term loan						144		144	144	
Assumed local bank loan		96	96	96	96	96	192	288	480	
Suppliers credits	132	319	542	950	1,130	844	993	2,924	3,917	
Assumed Federal Government loan—fixed interest						6		6	6	
Total Amortization	210	502	1,247	2,118	2,824	1,865	1,959	6,807	8,766	
Total Debt Service	843	1,467	2,620	3,842	4,634	3,600	4,930	12,076	17,006	
<i>Payment on Federal Government Investment</i>	354	421	421	421	421	421	1,196	1,263	2,459	
<i>Increase in Working Capital</i>	64	228	380	266	156	156	672	578	1,250	
TOTAL APPLICATIONS OF FUNDS	11,267	16,201	11,422	11,091	9,897	7,045	38,890	28,033	66,923	
Increase or (decrease) in funds	183	331	73	(445)	(28)	2,426	587	1,953	2,540	
Balance at beginning of year	0	183	514	587	142	114				
Balance at end of year	183	514	587	142	114	2,540				
Times annual debt service covered by internal cash generation	4.9	3.4	2.4	1.9	1.8	2.6				