

No. 7479

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
and
SIERRA LEONE**

**Guarantee Agreement—*Power Project* (with annexed Loan Regulations No. 4 and Loan Agreement between the Bank and the Sierra Leone Electricity Corporation).
Signed at Washington, on 18 August 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
SIERRA LEONE**

**Contrat de garantie — *Projet relatif à l'énergie électrique*
(avec, en annexe, le Règlement n° 4 sur les emprunts
et le Contrat d'emprunt entre la Banque et la Sierra
Leone Electricity Corporation). Signé à Washington,
le 18 août 1964**

Texte officiel anglais.

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

No. 7479. GUARANTEE AGREEMENT¹ (*POWER PROJECT*)
BETWEEN SIERRA LEONE AND THE INTERNATIONAL
BANK FOR RECONSTRUCTION AND DEVELOPMENT.
SIGNED AT WASHINGTON, ON 18 AUGUST 1964

AGREEMENT, dated August 18, 1964, between SIERRA LEONE (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 Sierra Leone Electricity Corporation (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 three million eight hundred thousand dollars (\$3,800,000), 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, 1961² 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.

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

¹ Came into force on 26 October 1964, upon notification by the Bank to the Government of Sierra Leone.

² See p. 304 of this volume.

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, 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 statutory corporation of the Guarantor or of any such political subdivision.

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.

Section 3.06. (a) The Guarantor shall make arrangements, acceptable to the Bank, to provide funds annually for the purpose of offsetting losses, if any, incurred by the Borrower in the operation of electricity facilities outside Freetown and Bo. For the purpose of this paragraph, "losses" shall mean any excess of operating expenses, including depreciation, over revenue from the sale of electricity.

(b) The Guarantor shall provide funds, in the form of a grant to the Borrower, sufficient to meet the cost of any construction or expansion referred to in Section 5.02 (c) of the Loan Agreement.

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 and Development 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 :

The Financial Secretary
Ministry of Finance and Development
Freetown, Sierra Leone

Alternative address for cables and radiograms :

Minfin
Freetown

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 and Development 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.

Sierra Leone :

by M. J. KAMANDA-BONGAY
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
(POWER PROJECT)

AGREEMENT, dated August 18, 1964, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and SIERRA LEONE ELECTRICITY CORPORATION (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 the Loan Agreement, the term "Act" shall mean the Electricity Corporation Act, 1964, of the Guarantor (Act No. 5 of 1964).

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in this Loan Agreement set forth or referred to, an amount in various currencies equivalent to three million eight hundred thousand dollars (\$3,800,000).

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-eighths of one per cent ($\frac{3}{8}$ of 1%) per annum on the principal amount of the Loan not so withdrawn from time to time.

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

¹ See above.

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.

Section 2.06. Interest and other charges shall be payable semiannually on May 15 and November 15 in each year.

Section 2.07. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 1¹ to this Agreement.

Article III

USE OF PROCEEDS OF LOAN; WITHDRAWALS

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 2² 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.

Section 3.03. Pursuant to Section 4.01 of the Loan Regulations, withdrawals from the Loan Account may be made on account of expenditures made before the Effective Date but subsequent to January 1, 1963.

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 and General Manager of the Borrower are designated as authorized representatives of the Borrower for the purposes of Section 6.12 (a) of the Loan Regulations.

¹ See p. 318 of this volume.

² See p. 320 of this volume.

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 public utility 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 reasonably 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 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 (i) the Project and (ii) the operations and organization of the Borrower including future system planning and the preparation of an annual capital budget, 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, the Project and the administration, operations and financial condition of the Borrower.

(c) Without limitation or restriction upon paragraph (b) of this Section, prior to the construction of any new electricity facilities or the expansion of any existing electricity facilities, outside Freetown, the Borrower shall inform the Bank of any such proposed action in order to afford the Bank and the Borrower a reasonable opportunity to exchange views thereon.

(d) 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. (a) 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 engineering and public utility practices.

(b) The Borrower shall from time to time take all steps necessary to obtain revenues from its operations sufficient to provide a return of at least 8% (or such other percentage as may from time to time be agreed between the Bank and the Borrower) on its average net fixed assets in operation. For the purposes of this paragraph (b):

(i) The term "average net fixed assets in operation" means the average of the net fixed assets in operation at the beginning and end of each year valued:

(A) in case of assets acquired on Vesting Day (as such term is used in the Act), at the value at which they are transferred from the Guarantor; and

(B) in the case of assets acquired subsequent to such date, at original cost;

after deducting the total depreciation reserve computed in accordance with the straight-line method at annual rates of depreciation to be agreed between the Borrower and the Bank.

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

Section 5.04. (a) 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.

(b) The Borrower shall appoint a Financial Controller and Commercial Engineer and shall consult the Bank prior to making any appointment to or change in such positions.

Section 5.05. 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 5.06. 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 the Loan Agree-

ment, 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.

Section 5.07. 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 the Loan Agreement, the Guarantee Agreement or the Bonds.

Section 5.08. The Borrower shall take all steps necessary to maintain and renew all rights, powers and privileges which are necessary or useful for its operations.

Section 5.09. Except as the Bank and the Borrower shall otherwise agree, the Borrower shall not: (i) incur any debt from the date of the Loan Agreement until January 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) whenever it shall be necessary to value in currency of the Guarantor debt payable in another currency, such valuation shall be made on the basis of the rate of exchange at which such other currency is obtainable by the Borrower, at the time such valuation is made, for the purposes of servicing such debt or, if such currency is not so obtainable, at the rate of exchange which will be reasonably determined by the Bank.

¹ See p. 296 of this volume.

Section 5.10. The Borrower shall engage or appoint as auditor one or more independent auditors satisfactory to the Bank, and the accounts of the Borrower shall be audited by such auditor or auditors as at the end of each fiscal year.

Section 5.11. (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 practices.

Section 5.12. The Borrower shall not pay interest on the stock issued to the Guarantor pursuant to section 38 (1) of the Act until July 1, 1969 and shall pay such interest thereafter only if such payment does not materially and adversely affect the financial condition of the Borrower.

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

Section 6.02. The following additional event is specified for the purposes of Section 5.02 of the Loan Regulations :

The Act shall have been suspended, repealed, revoked or amended, so as to affect adversely the ability of the Borrower to carry out the covenants and agreements set forth in the Loan Agreement.

Article VII

EFFECTIVE DATE; TERMINATION

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

(a) That the Guarantor shall have made arrangements, satisfactory to the Bank, for the transfer to the Borrower of assets used for or in connection with the supply of electric energy to the public in accordance with section 36 of the Act.

(b) That the Borrower shall have made arrangements for the establishment of rates for the sale of electric energy acceptable to the Bank.

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 the Loan 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, 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 :

Sierra Leone Electricity Corporation
New England
Freetown, Sierra Leone

Alternative address for cables and radiograms :

Electron
Freetown

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

Sierra Leone Electricity Corporation :

by I. B. TAYLOR-KAMARA
by A. P. BRUNO-GASTON
Authorized Representatives

The Common Seal of the Sierra Leone Electricity Corporation has been hereunto affixed in accordance with Section 4 of the Electricity Corporation Act, 1964, being duly authorized by a Resolution of the Borrower dated the 16th day of June, 1964. The affixing thereof has been duly authenticated by

[SEAL]

I. B. TAYLOR-KAMARA, Chairman

A. P. BRUNO-GASTON, General Manager

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>
May 15, 1967	\$65,000	May 15, 1976	\$105,000
November 15, 1967	65,000	November 15, 1976	105,000
May 15, 1968	65,000	May 15, 1977	110,000
November 15, 1968	70,000	November 15, 1977	110,000
May 15, 1969	70,000	May 15, 1978	115,000
November 15, 1969	70,000	November 15, 1978	120,000
May 15, 1970	75,000	May 15, 1979	120,000
November 15, 1970	75,000	November 15, 1979	125,000
May 15, 1971	80,000	May 15, 1980	130,000
November 15, 1971	80,000	November 15, 1980	130,000
May 15, 1972	85,000	May 15, 1981	135,000
November 15, 1972	85,000	November 15, 1981	140,000
May 15, 1973	85,000	May 15, 1982	140,000
November 15, 1973	90,000	November 15, 1982	145,000
May 15, 1974	90,000	May 15, 1983	150,000
November 15, 1974	95,000	November 15, 1983	155,000
May 15, 1975	95,000	May 15, 1984	160,000
November 15, 1975	100,000	November 15, 1984	165,000

* 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 consists of :

1. The construction of a generating station at King Tom Point in Freetown. That generating station will be equipped with two slow speed diesel engines coupled with 6,600 kilowatt generators to produce power at 11,000 volts and associated switchgear, storage tanks and ancillary works.
2. The expansion of distribution facilities in and around Freetown including the conversion of certain areas from 3,300 volts to 11 kilovolt distribution and the provision of new distribution substations.
3. Consulting services.

*
* *

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

LETTER RELATING TO THE GUARANTEE AGREEMENT

BANK OF SIERRA LEONE

FREETOWN

August 18, 1964

Gentlemen,

It has been brought to the notice of the Board of Directors of the Bank of Sierra Leone that Sierra Leone has, by Section 3.01 of the Guarantee Agreement (*Power Project*) between Sierra Leone and the International Bank for Reconstruction and Development of even date herewith,¹ entered into the following undertaking :

¹ See p. 296 of this volume.

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 statutory corporation of the Guarantor or of any such political subdivision.

I have been directed by the Board of Directors to state that the Bank of Sierra Leone adheres to Section 3.01 of the Guarantee Agreement and for this purpose is to be deemed to be a third party to the Guarantee Agreement.

Yours faithfully,

Gordon E. HALL
Governor

The International Bank for Reconstruction
and Development