

No. 8002

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

Guarantee Agreement—*Johore River Water Project* (with annexed Loan Regulations No. 4 and Loan Agreement between the Bank and the Public Utilities Board, Singapore). Signed at Washington, on 26 February 1965

Official text: English.

Registered by the International Bank for Reconstruction and Development on 8 December, 1965.

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

Contrat de garantie — *Projet relatif à l'aménagement du Johore* (avec, en annexe, le Règlement n° 4 sur les emprunts et le Contrat d'emprunt entre la Banque et le Public Utilities Board de Singapour). Signé à Washington, le 26 février 1965

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 8 décembre 1965.

No. 8002. GUARANTEE AGREEMENT¹ (*JOHORE RIVER WATER PROJECT*) BETWEEN MALAYSIA AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 26 FEBRUARY 1965

AGREEMENT, dated February 26, 1965, between MALAYSIA (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 Public Utilities Board, Singapore (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 six million eight hundred thousand dollars (\$6,800,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agrees 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 so 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.

Section 1.02. Wherever used in this Guarantee Agreement, unless the context shall otherwise require, the term defined in the Loan Agreement and in the Loan Regulations (as so defined) shall have the respective meanings therein set forth.

¹ Came into force on 11 May 1965, upon notification by the Bank to the Government of Malaysia.

² See p. 248 of this volume.

Article II

Section 2.01. Without limitation or restriction upon any of the other covenants on its part in this Guarantee 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. Without limitation or restriction upon any of the other covenants on its part in this Guarantee Agreement contained, upon representation by the Bank to the Guarantor that there is reasonable cause to believe that the Borrower is likely to fail to discharge or be unable to discharge any of its obligations or covenants under the Loan Agreement, the Guarantor shall take such appropriate action as may be required to ensure that satisfactory arrangements are made by the Borrower to enable it to discharge its obligations or covenants under the Loan Agreement.

Section 2.03. 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 governmental 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; and (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: (i) assets of the Guarantor; (ii) assets of any statutory authority of the Guarantor, including assets of any state or political subdivision of the Guarantor; (iii) any agency of the

Guarantor, including the Bank Negara Malaysia or any other institution at any time performing the functions of a central bank of the Guarantor; and (iv) any right, interest or share of the Guarantor in the Currency Fund administered under the Malaya British Borneo Currency Agreement, 1960.

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 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) 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 Guarantee 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 per-

sons 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 :

Minister of Finance
The Treasury
Kuala Lumpur
Malaysia

Alternative address for cablegrams and radiograms :

Treasury
Kuala Lumpur

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 cablegrams 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.

Malaysia :

by ONG YOKE LIN
Authorized Representative

International Bank for Reconstruction and Development :

by G. M. WILSON
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

(JOHORE RIVER WATER PROJECT)

AGREEMENT, dated February 26, 1965, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and PUBLIC UTILITIES BOARD, a body established pursuant to the Public Utilities Ordinance, 1963, of the State of Singapore (hereinafter called the Borrower).

Article I

LOAN REGULATIONS ; SPECIAL 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 (hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

Section 1.02. Unless the context otherwise requires, the following term shall have the following meaning whenever used in this Loan Agreement: the term "Ordinance" means the Public Utilities Ordinance, 1963, as amended.

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 six million eight hundred thousand dollars (\$6,800,000).

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 set forth in, the Loan Regulations.

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.

¹ See above.

Section 2.04. The Borrower shall pay interest at the rate of five and one-half per cent (5½%) 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 (½ of 1%) per annum on the principal amount of any such special commitments outstanding from time to time.

Section 2.06. Interest and other charges shall be payable semi-annually on February 1 and August 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 1 to this Loan Agreement.

Article III

USE OF PROCEEDS OF THE 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 2 to this Loan 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. The Borrower shall cause all goods financed out of the proceeds of the Loan 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 General Manager of the Borrower, signing jointly with such person as the Borrower shall authorize by resolution, is designated as authorized representative of the Borrower for the purposes of Section 6.12 (a) of the Loan Regulations.

Article V

PARTICULAR COVENANTS

Section 5.01. The Borrower shall at all times conduct its business and operations in accordance with sound public utility practices and under the supervision of competent management satisfactory to the Bank.

Section 5.02. (a) The Borrower shall carry out the Project with due diligence and efficiency and in conformity with sound engineering, public utility and financial practices.

(b) In the carrying out of the Project, the Borrower shall employ competent and experienced consultants and contractors acceptable to the Bank, upon terms and conditions satisfactory to the Borrower and the Bank.

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

Section 5.03. The Borrower shall 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 ; shall enable the Bank's representatives to inspect the Project, the goods and all other plants, sites, works, property and equipment of the Borrower and any relevant records and documents.

Section 5.04. (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) 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 5.05. 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 this Loan 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 taxation of payments under any Bond to 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 this Loan Agreement, the Guarantee Agreement or the Bonds.

Section 5.08. (a) The Borrower shall insure or cause to be insured with good and reputable insurers all goods financed out of the proceeds of the Loan. Such insurance shall cover such marine, transit and other hazards incident to purchase and importation of the goods into the territories of the Guarantor and delivery thereof to the Borrower and shall be for such amounts as shall be consistent with sound commercial practices. Except as the Bank shall otherwise agree, any indemnity under such insurance shall be payable in the currency in which the cost of the goods insured thereunder shall be payable, or in dollars.

(b) In addition, except as the Bank and the Borrower may otherwise agree, the Borrower shall take out and maintain, with good and reputable insurers, or make other adequate provisions for, insurance against such risks and in such amounts as shall be consistent with sound public utility practices.

Section 5.09. (a) The Borrower shall at all times take all requisite steps for the acquisition and retention by it of all such lands, interests in land and properties and all rights, powers, privileges and franchises as may be necessary or proper for the construction and operation of the Project and the carrying on of its water supply business.

(b) The Borrower shall not do any act or thing which would prejudice its corporate existence and right to carry on operations and shall, except as the Bank may otherwise agree in writing, maintain and renew all rights, powers, privileges and franchises owned or held by it and necessary or useful in the conduct of its water supply business.

Section 5.10. The Borrower shall have its accounts regularly audited, at least once a year, by independent auditors acceptable to the Bank.

Section 5.11. The Borrower shall so exercise its powers and perform its functions that the tariffs for sale of electricity, water and gas and hire of apparatus it prescribes will provide sufficient revenue :

¹ See p. 240 of this volume.

- (a) to cover operating expenses, including taxes, if any, and to provide adequate maintenance and depreciation, and interest payments on borrowing ;
- (b) to meet periodic repayments on long-term indebtedness and sinking fund contributions to the extent that such repayments and contributions exceed the provisions for depreciation ; and
- (c) to create reasonable reserves.

Section 5.12. Except as the Borrower and the Bank shall otherwise agree, the Borrower shall not incur any long-term indebtedness unless the Borrower's net revenues for any twelve consecutive months out of the fifteen-month period last preceding the date of such incurrence shall not be less than 1.5 times the maximum debt service requirements on all the Borrower's long-term indebtedness (including the debt to be incurred) in any succeeding fiscal year. For the purposes of this Section :

- (a) the term "long-term indebtedness" shall mean any debt 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 the contract or loan agreement providing for such debt ;
- (c) the term "net revenues" shall mean gross revenues from all sources (excluding interest on sinking fund investments), adjusted to take account of tariffs in effect at the time of incurrence of debt even though they were not in effect during the twelve consecutive months to which such revenues related, less operating and administrative expenses, including provision for taxes, if any, but before provision for depreciation and debt service requirements ;
- (d) the term "debt service requirements" shall mean the aggregate amount of amortization (including sinking fund contributions), interest and other charges on debt ;
- (e) whenever it shall be necessary to value in the 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 other currency is not so obtainable, at the rate of exchange that will be reasonably determined by the Bank.

Article VI

REMEDIES OF THE BANK

Section 6.01. (i) If any event specified in paragraph (a), paragraph (b), paragraph (e), paragraph (f) of Section 5.02 of the Loan Regulations or in Section 6.02 of this Loan Agreement 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 principal of the Loan and of all the Bonds then

outstanding to be due and payable immediately, and upon such declaration such principal shall become due and payable immediately, anything in this Loan Agreement or in the Bonds to the contrary notwithstanding.

Section 6.02. For the purposes of Section 5.02 (j) of the Loan Regulations, the following additional event is specified : namely,

any amendment or repeal of any of the provisions of Parts I, II, III, IV or VI or Sections 72 or 88 of the Ordinance of the Borrower which materially affects the powers, duties, functions or responsibilities of the Board shall have been brought into operation without the agreement of the Bank.

Article VII

EFFECTIVE DATE ; TERMINATION

Section 7.01. The following event is specified as an additional condition to the effectiveness of this Loan Agreement within the meaning of Section 9.01 (c) of the Loan Regulations : namely, that the State of Singapore shall have furnished the Bank with assurances, satisfactory to the Bank, with respect to the carrying out of the Project.

Section 7.02. A date 90 days after the date of this 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 December 31, 1968, 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 :

General Manager
Public Utilities Board
City Hall
Singapore 6, Malaysia

Alternative address for cablegrams and radiograms :

Piyubi
Singapore

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 cablegrams 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 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 G. M. WILSON
Vice President

Public Utilities Board, Singapore :

by ONG YOKE LIN
Authorized Representative

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>
February 1, 1969	\$130,000	August 1, 1977	\$205,000
August 1, 1969	135,000	February 1, 1978	210,000
February 1, 1970	135,000	August 1, 1978	215,000
August 1, 1970	140,000	February 1, 1979	220,000
February 1, 1971	145,000	August 1, 1979	230,000
August 1, 1971	150,000	February 1, 1980	235,000
February 1, 1972	150,000	August 1, 1980	240,000
August 1, 1972	155,000	February 1, 1981	250,000
February 1, 1973	160,000	August 1, 1981	255,000
August 1, 1973	165,000	February 1, 1982	260,000
February 1, 1974	170,000	August 1, 1982	270,000
August 1, 1974	175,000	February 1, 1983	275,000
February 1, 1975	180,000	August 1, 1983	285,000
August 1, 1975	185,000	February 1, 1984	290,000
February 1, 1976	190,000	August 1, 1984	300,000
August 1, 1976	195,000	February 1, 1985	300,000
February 1, 1977	200,000		

* 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	1/2 %
More than three years but not more than six years before maturity	1 1/2 %
More than six years but not more than eleven years before maturity	2 1/2 %
More than eleven years but not more than sixteen years before maturity	3 1/2 %
More than sixteen years but not more than eighteen years before maturity	4 1/2 %
More than eighteen years before maturity	5 1/2 %

SCHEDULE 2

DESCRIPTION OF PROJECT

The Project comprises the construction and operation of the first stage of a long range program to develop the Johore River as a new water supply source for Singapore.

The Project consists of the construction of intake works on the Johore River, the laying of raw water conduits, the erection of a nearby water treatment plant, including ancillary buildings, the installation of pumping and diesel electric generation facilities and the laying of about 17 miles of transmission main connecting to existing water mains near the town of Johore Bahru and their operation. These various structures will be built so as to facilitate economical future increases in capacity. The Project will have a nominal, rated capacity of 30 million imperial gallons per day (MGD), but the intake works, the raw water conduits and other elements of the Project will have a capacity of about 60 MGD to accommodate second stage works. With certain modifications and extension, the transmission main also will be able to carry flows to about 60 MGD.

The works described above are expected to be completed up to testing stage by July 1, 1967 and handed over by December 31, 1967.

The Project also includes the retention of management consultants and of engineering services for the study of the Borrower's water distribution system.

LETTERS RELATING TO THE LOAN AGREEMENT

MINISTRY OF FINANCE
FULLERTON BUILDING
SINGAPORE

MF. (ED)Cf. 014/61 Vol. I

11th February, 1965

Dear Mr. Cargill,

Further to my letter of this series dated 8th February, 1965, I have pleasure now in forwarding herewith the Letter of Assurances from the Singapore Government to the International Bank for Reconstruction and Development duly signed by Mr. Howe Yoon Chong, the authorised representative appointed by the Singapore Government.

2. I am retaining a copy of the signed document.

Thank you.

Yours sincerely,

ABU BAKAR BIN PAWANCHEE
Permanent Secretary
Economic Development

Mr. I.P.M. Cargill
International Bank for Reconstruction
and Development
1818 H Street, N.W.
Washington, D.C. 20433

STATE OF SINGAPORE

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

*Re : Johore River Water Project
Assurances of State of Singapore*

Dear Sirs :

In the Loan Agreement (the "Loan Agreement") between your Bank and the Public Utilities Board, Singapore (the "Board") for the Johore River Water Project, the Board has given various undertakings which are of interest to the State of Singapore ("Singapore") and your Bank.

We are pleased to confirm that :

(a) Singapore undertakes, 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 as defined in the Loan Agreement, to make, after consultation with the Bank and the Board, 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.

(b) Singapore undertakes that within the framework of applicable laws it will not take or permit any of its agencies to take any action which would prevent or interfere with the performance by the Board of the covenants with respect to :

- (i) management in Section 5.01 of the Loan Agreement as supplemented by the Letter re Management and by the Letter re Other Works ;
- (ii) carrying out the Project in Section 5.02 of the Loan Agreement as supplemented by the Letter re Consultants, by the Letter re Procurement and by the Letter re Other Works ;
- (iii) cooperation and provision of information in Section 5.04 of Loan Agreement as supplemented by the Letter re Other Works ;
- (iv) incurrence of debt in Sections 5.05 and 5.12 of the Loan Agreement ;
- (v) taxes in Sections 5.06 and 5.07 of the Loan Agreement ;
- (vi) insurance in Section 5.08 of the Loan Agreement ; and
- (vii) tariffs in Section 5.11 of the Loan Agreement as supplemented by the Letter re Tariffs.

(c) Singapore undertakes that within the framework of applicable laws it will take or cause to be taken all reasonable action which shall be necessary in order to enable the Board to perform the covenants with respect to :

- (i) management in Section 5.01 of the Loan Agreement as supplemented by the Letter re Management and by the Letter re Other Works ;
- (ii) carrying out the Project in Section 5.02 of the Loan Agreement as supplemented by the Letter re Consultants ; by the Letter re Procurement and by the Letter re Other Works ;
- (iii) maintenance of records and inspection of sites and records in Section 5.03 of the Loan Agreement ;
- (iv) cooperation and provision of information in Section 5.04 of the Loan Agreement as supplemented by the Letter re Other Works ;
- (v) the franchise and corporate existence of the Board in Section 5.09 of the Loan Agreement ; and
- (vi) audits in Section 5.10 of the Loan Agreement.

(d) Singapore also agrees to consult with the Bank before proposing amendment or repeal of the provisions of Public Utilities Ordinance, 1963, specified in Section 6.02 of the Loan Agreement.

(e) The reference in either paragraph (b) or (c) to particular covenants in the Loan Agreement is not intended to limit the generality of the undertaking by Singapore that within the framework of applicable laws it will not take or permit any of its agencies to take any action which would prevent or interfere with the performance by the Board of any of the covenants, agreements or obligations contained in the Loan Agreement and will take or cause to be taken all reasonable action which shall be necessary in order to enable the Board to perform such covenants, agreements and obligations.

Very truly yours,

State of Singapore :
by HOWE YOON CHONG
Authorized Representative

PUBLIC UTILITIES BOARD, SINGAPORE

February 26, 1965

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

Re : *Johore River Water Project*
Letter re Tariffs

Dear Sirs :

We refer to Section 5.11 of the Loan Agreement (*Johore River Water Project*) of even date between us which provides that this Board shall so exercise its powers and perform its functions that the tariffs for the sale of electricity, water and gas and hire of apparatus it prescribes will provide sufficient revenue *inter alia* to create reasonable reserves.

The purpose of this letter is to record our agreement upon a mutually acceptable means of testing the adequacy of such tariffs.

We have agreed that tariffs yielding an over-all rate of return of not less than 8% on the average value of the Board's total net fixed assets (reasonably valued) in operation in any financial year will be adequate. Although this over-all rate of return will be based on the operations of all three utility departments of the Board, the Board recognizes the desirability of each utility department making a full contribution to the Board's financial results. The Board further recognizes that at present the Water Department does not make an adequate contribution to this over-all return and the Board intends to adopt such measures as may be possible to improve the contribution of the Water

Department. We believe it appropriate to record, in connection with the contribution of each utility department to the Board's financial results, that the Board expects the management consultants will, in the course of their analyses, examine all factors affecting the Board's financial operations, including tariffs.

In computing such over-all rate of return, all operating expenses of the Board including adequate maintenance, straight-line depreciation and taxes (if any) or payments in lieu of taxes will be deducted from the Board's total revenues from sales of electricity, water and gas and hire of apparatus and the resulting net income will be related to the average of the value of the Board's total net fixed assets (reasonably valued) in operation at the beginning and at the closing of the Board's financial year in respect of which such computation is made.

Straight-line depreciation will be based on the useful life of the Board's fixed assets in accordance with the following schedule :

<i>Type of Assets</i>	<i>Number of years of useful life of assets in:</i>		
	<i>Electricity Dept.</i>	<i>Water Dept.</i>	<i>Gas Dept.</i>
Buildings and Civil Works	30	30	30
Plant and Machinery	25	25	20
Mains and Services	25	40	50
Pipelines	—	40	—
Gasholders	—	—	30
Public Lighting Equipment	8	—	—
Reservoirs	—	100	—
Filters	—	50	—
Hydrants/Standpipes	—	20	—

Please confirm your agreement with the foregoing by signing this letter, retaining a copy for your records and returning another to us.

Very truly yours,

Public Utilities Board, Singapore :
by DATO ONG YOKE LIN
Authorized Representative

Confirmed:

International Bank for
Reconstruction and Development :

by R. J. GOODMAN