

No. 8483

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
and
SOUTH AFRICA**

**Guarantee Agreement—*Fourth Escom Project* (with annexed
Loan Regulations No. 4 and Loan Agreement between
the Bank and the Electricity Supply Commission). Signed
at Washington, on 8 September 1966**

Official text: English.

Registered by the International Bank for Reconstruction and Development on 21 December 1966.

**BANQUE INTERNATIONALE POUR
LA RECONSTRUCTION ET LE DÉVELOPPEMENT
et
AFRIQUE DU SUD**

**Contrat de garantie — *Quatrième Projet Escom* (avec, en
annexe, le Règlement n° 4 sur les emprunts et le Contrat
d'emprunt entre la Banque et l'Electricity Supply Com-
mission). Signé à Washington, le 8 septembre 1966**

Texte officiel anglais.

*Enregistré par la Banque internationale pour la reconstruction et le développement
le 21 décembre 1966.*

No. 8483. GUARANTEE AGREEMENT¹ (*FOURTH ESCOM PROJECT*) BETWEEN THE REPUBLIC OF SOUTH AFRICA AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 8 SEPTEMBER 1966

AGREEMENT, dated September 8, 1966, between REPUBLIC OF SOUTH AFRICA (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 Supply Commission (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 twenty million dollars (\$20,000,000), 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 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, 1961,² subject, however, to the modifications thereof set forth in Schedule 3 to the Loan Agreement (said Loan Regulations No. 4 as so modified being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

Section 1.02. For the purposes of this Guarantee Agreement and of the Loan Agreement, any reference therein or in the Loan Regulations (including any Schedules

¹ Came into force on 27 October 1966, upon notification by the Bank to the Government of South Africa.

² See p. 80 of this volume.

thereto) to the “territories” of the Guarantor shall be construed to include a reference to any territory administered by the Guarantor.

Article II

Section 2.01. Without limitation or restriction upon any of the other covenants on its part in this Agreement contained, the Guarantor hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of the principal of, and the interest and other charges on, the Loan, the principal of and interest on the Bonds, 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 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 or (ii) any lien created by the South African Reserve Bank on any of its assets in the ordinary course of its banking business to secure a debt maturing not more than one year after the date on which it is originally incurred.

The term “assets of the Guarantor” as used in this Section includes assets of the Guarantor or of any of its Provinces or other political subdivisions or of any agency of the Guarantor or of any such Provinces or other political subdivisions, including assets of the South African Reserve Bank or any other institution performing the functions of a central bank and of local governing authorities.

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, and free from all restrictions, 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. Without limitation or restriction upon any of the other covenants on its part in this Agreement contained, the Guarantor specifically undertakes that it will not take any action which would prevent or materially interfere with the performance by the Borrower of any of the covenants, agreements and obligations of the Borrower contained in the Loan Agreement and will take or cause to be taken all action necessary and appropriate to enable the Borrower to perform such covenants, agreements and obligations; and, more particularly, the Guarantor undertakes (a) to permit the Borrower to borrow in the markets of the Guarantor such amounts of the currency of the Guarantor as may be needed by the Borrower for the purpose of carrying out the Project and the construction expenditures associated therewith, and (b) to sell or cause to be sold to the Borrower in exchange for currency of the Guarantor such amounts of foreign currency as may be needed by the Borrower to meet the requirements in such currencies for the Project and for the construction expenditures associated therewith.

Section 3.06. The Guarantor undertakes that, until the Loan Agreement and the Guarantee Agreement and all obligations of the parties thereunder shall have

terminated, the Borrower will continue to have the power and obligation under Section 14 of the Electricity Act, 1958 to adjust its charges from time to time without obtaining the approval of the Electricity Control Board or anyone else in order to cover the costs and other amounts referred to in that Section.

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 :

Secretary to the Treasury
Union Buildings
Pretoria
Republic of South Africa

Alternative address for cablegrams and radiograms :

Findep
Pretoria
South Africa

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.

Section 5.03 In this Agreement any reference to the Minister of Finance of the Guarantor shall include a reference to any Minister of State of the Guarantor for the time being acting for or on behalf of the Minister of Finance of the Guarantor.

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.

Republic of South Africa :

By H. L. T. TASWELL
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

(FOURTH ESCOM PROJECT)

AGREEMENT, dated September 8, 1966, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and ELECTRICITY SUPPLY COMMISSION (hereinafter called the Borrower).

Article I

LOAN REGULATIONS ; SPECIAL DEFINITIONS

Section 1.01. The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated February 15, 1961,¹ subject, however, to the modifications thereof set forth in Schedule 3 to this Agreement (said Loan Regulations No. 4 as so modified being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

¹ See above.

Section 1.02. Unless the context otherwise requires, the following terms wherever used in the Loan Agreement have the following meanings :

- (a) The term "territories" of the Guarantor shall be construed to include a reference to any territory administered by the Guarantor ;
- (b) The term "First Loan Agreement" means the loan agreement (*Escom Project*) between the Bank and the Borrower dated January 23, 1951 ;¹
- (c) The term "First Loan" means the loan provided for in the First Loan Agreement ;
- (d) The term "Third Loan Agreement" means the loan agreement (*Third Escom Project*) between the Bank and the Borrower dated December 1, 1961 ;²
- (e) The term "Third Loan" means the loan provided for in the Third Loan Agreement.

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 twenty million dollars (\$20,000,000).

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 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 six and one-quarter per cent ($6\frac{1}{4}\%$) 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.

Section 2.06. Interest and other charges shall be payable semi-annually on June 1 and December 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 Agreement.

Section 2.08. For the purposes of facilitating the sale of portions of the Loan, Bonds, portions of the First Loan, bonds representing the First Loan, portions of the Third Loan,

¹ United Nations, *Treaty Series*, Vol. 158, p. 135.

² United Nations, *Treaty Series*, Vol. 425, p. 215.

or bonds representing the Third Loan, it is agreed in connection with any such sale that, notwithstanding the provisions of Section 3.03 of the Loan Regulations (applicable to this Loan Agreement and to the Third Loan Agreement) and the provisions of Section 3.02 of the Loan Regulations No. 4 of the Bank dated August 15, 1950 (applicable to the First Loan Agreement), the Bank and the Borrower, with the approval of the Guarantor, may from time to time agree that any portion of the Loan, the First Loan or the Third Loan repayable in one currency may be made repayable in one or more other currencies and from the date specified in such agreement such portion of the Loan or the First Loan or the Third Loan shall be repayable in such other currency or currencies.

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 Agreement. The specific goods to be financed out of the proceeds of the Loan shall be determined by agreement between the Bank and the Borrower, subject to modification by further agreement between them, and the methods and procedures for the procurement of such goods shall be satisfactory to the Bank.

Section 3.02. 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. Any member 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.

Section 4.03. Notwithstanding the provisions of Section 6.06 of the Loan Regulations, the Bank may from time to time request pursuant to Section 6.03 or Section 6.11 of the Loan Regulations, and the Borrower shall execute and deliver, Bonds providing : (a) for the payment on a single date of two or more maturities, or parts thereof, specified in such request, of installments of the principal amount of the Loan set forth in Schedule 1 to this Agreement ; (b) that the principal amount of each such Bond shall be payable in a single currency on the date of the latest maturity of the installments specified in such request ; (c) that as a sinking fund for such Bonds the Borrower will, on each date specified in Schedule 1 to this Agreement as the maturity of an installment of the portion, or all, of the Loan represented by such Bonds, redeem a principal amount of such Bonds equal to the amount of such installment ; (d) that the Bonds to be redeemed in whole or in part shall be selected by lot ; (e) that no premium shall be payable on such redemption ; (f) that

the obligation of the Borrower to redeem Bonds shall be satisfied *pro tanto* by the substitution of uncanceled Bonds issued pursuant to such request, Bonds so substituted to be valued for such purpose at their principal amount ; and (g) that all Bonds so redeemed or substituted shall be immediately cancelled. All the provisions of this Article IV and of Article VI of the Loan Regulations shall apply to such Bonds except that appropriate changes shall be made in the forms of Bonds and the guarantee to be endorsed thereon by the Guarantor as the Bank shall reasonably request in order to give effect to the provisions of this Section 4.03.

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 and financial practices.

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

(c) 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 any relevant records and documents ; and shall furnish to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the Project, the goods, and the administration, operations and financial condition of 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 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 or the performance by the Borrower of its obligations under the Loan Agreement.

Section 5.03. It is the mutual intention of the Borrower and the Bank that no other debt shall enjoy any priority over the Loan by way of a lien on assets of the Borrower. To that end, the Borrower specifically 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 provisions will be made to that effect; provided, however, that the foregoing provisions of this Section shall not apply to any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property.

Section 5.04. Subject to such exemptions as shall be conferred by the provisions of Section 3.03 and Section 3.04 of the Guarantee Agreement¹ or otherwise, 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 Agreement, the Guarantee Agreement 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 a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Guarantor.

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 the Loan Agreement, the Guarantee Agreement or the Bonds.

Section 5.06. (a) The Borrower shall take out and maintain with responsible insurers or make other provision satisfactory to the Bank for insurance against such risks and in such amount as shall be consistent with sound practice.

(b) Without limiting the generality of the foregoing, the Borrower undertakes to insure the imported goods to be financed out of the proceeds of the Loan against marine, transit and other hazards incident to acquisition, transportation and delivery thereof to the place of use or installation and for such insurance any indemnity shall be payable in a currency freely usable by the Borrower to replace or repair such goods.

Section 5.07 (a) The Borrower shall at all times maintain its existence and right to carry on operations and 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 in the conduct of its business.

(b) The Borrower shall employ competent management; shall operate and maintain its plants, equipment and property, and from time to time make all necessary renewals and repairs thereof, all in accordance with sound engineering standards, and shall at all times operate its plants and equipment and maintain its financial position in accordance with

¹ See p. 72 of this volume.

sound business and public utility practices and the requirements of Section 14 of the Electricity Act, 1958 of the Guarantor.

(c) The Borrower shall not, without the prior consent of the Bank, sell or otherwise dispose of all or substantially all of its assets and property or all or substantially all of the property included in the Project, unless the Borrower shall first redeem and pay, or make adequate provision satisfactory to the Bank for redemption and payment of, all of the Loan which shall then be outstanding and unpaid.

Section 5.08. The Borrower shall have its financial statements (balance sheet and related statement of revenues and expenses) certified annually by an independent accountant or accounting firm acceptable to the Bank and shall promptly after their preparation and, unless the Bank shall otherwise agree, not later than four months after the close of the Borrower's fiscal year, transmit to the Bank certified copies of such statements and a signed copy of such accountant's or such firm's report.

Article VI

REMEDIES OF THE 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 in paragraph (b) of 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 are specified as additional events for the purposes of Section 5.02 (f) of the Loan Regulations :

(a) Failure by the Borrower to fulfill an obligation to make payment of principal or interest or any other payment required under this Loan Agreement or any other loan agreement between the Bank and the Borrower or under any bond delivered pursuant to any such agreement even though such payment has been made by other persons.

(b) A default shall have occurred in the performance of any covenant or agreement (other than for the payment of money) on the part of the Borrower or the Guarantor under the First Loan Agreement or the Third Loan Agreement or the Guarantee Agreements relating thereto between the Guarantor and the Bank, or any of the bonds provided for in such Loan Agreements.

Article VII

EFFECTIVE DATE ; TERMINATION

Section 7.01. 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 the power and obligation under Section 14 of the Electricity Act, 1958, to adjust its charges from time to time, without obtaining the approval of the Electricity Control Board or anyone else, in order to cover the costs and other amounts referred to in such Section.

Section 7.02. If this Loan Agreement shall not have come into force and effect by October 31, 1966, this Loan Agreement and all obligations of the parties hereunder shall terminate, unless the Bank, after consideration of the reasons for the delay, establishes a later date for purposes of this Section. The Bank shall promptly notify the Borrower and the Guarantor of such later date.

Article VIII

MISCELLANEOUS

Section 8.01. The Closing Date shall be March 31, 1968, or such other date as may from time to time be agreed between 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 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.

For the Borrower :

Electricity Supply Commission
Escom Centre
204 Smit Street
Johannesburg
Republic of South Africa

Alternative address for cablegrams and radiograms :

Escom
Johannesburg
South Africa

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 J. Burke KNAPP
Vice President

Electricity Supply Commission :

By E. W. BITHELL
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>
June 1, 1968	\$845,000	December 1, 1972	\$1,115,000
December 1, 1968	870,000	June 1, 1973	1,150,000
June 1, 1969	900,000	December 1, 1973	1,185,000
December 1, 1969	925,000	June 1, 1974	1,220,000
June 1, 1970	955,000	December 1, 1974	1,260,000
December 1, 1970	985,000	June 1, 1975	1,300,000
June 1, 1971	1,015,000	December 1, 1975	1,340,000
December 1, 1971	1,050,000	June 1, 1976	1,380,000
June 1, 1972	1,080,000	December 1, 1976	1,425,000

* 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 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>Premiums</i>
Not more than two years before maturity	1/8 %
More than two years but not more than four years before maturity	2 1/4 %
More than four years but not more than six years before maturity	3 3/4 %
More than six years but not more than eight years before maturity	5 %
More than eight years before maturity	6 1/4 %

SCHEDULE 2

DESCRIPTION OF PROJECT

The Project is the construction of the Camden Power Station located at a new coal field in the Eastern Transvaal about 12 miles south of the town of Ermelo and 160 miles east of Johannesburg. The Station will consist of eight 200 MW turbo generators and eight boilers each with a capacity of 1,800,000 pounds of steam per hour at a pressure of 1,600 pounds per square inch and a temperature of 1,010 degrees Fahrenheit. Six natural draught cooling towers will be constructed to cool the water required for the condensers. The eight units will be brought into operation progressively from about October 1966 through October 1969.

SCHEDULE 3

MODIFICATIONS OF LOAN REGULATIONS No. 4

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

(a) Section 9.04 is deleted and the following Section is substituted therefor :

"SECTION 9.04. Termination of Guarantee Agreement upon Termination of Loan Agreement. If, in accordance with the provisions thereof, the Loan Agreement shall terminate for failure to become effective, the Guarantee Agreement and all obligations of the parties thereunder shall also terminate. The Bank shall promptly give notice of such termination to the Guarantor."

(b) The eighth paragraph of the Form of Bond set forth in Schedule 1, the seventh paragraph of the Form of Bond set forth in Schedule 2 and the first paragraph of the Form of Guarantee set forth in Schedule 3 are amended by inserting, after the word "territories" in each such paragraph, the following : "(including territories administered by it)".

LETTER RELATING TO THE LOAN AGREEMENT

ELECTRICITY SUPPLY COMMISSION

September 8, 1966

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

Gentlemen :

During negotiations for the Fourth Escom Project we discussed the advisability of Escom obtaining additional funds for construction expenditures from internal cash

generation. We share the opinion that it would be prudent for Escom to increase its internal cash generation and we wish to assure you that it is our intention to do so.

In order to accomplish this, we shall in the near future with the appropriate approvals increase the amounts set aside annually from revenue to the Reserve Fund and the amounts spent out of the fund for the replacement of plant to be retired. We shall also increase tariffs as may be needed to meet increased costs. We estimate that such increases in tariffs may range from six to eight per cent in the next five years.

If we find that we may not be able to obtain from borrowings the investment funds required to supplement our own cash resources for construction expenditures we will take such additional steps as may be available to us, including revision of our construction program, if necessary, and exploration with the Government of other possible measures, to meet our needs and obligations.

Yours faithfully,

Electricity Supply Commission :

G. R. D. HARDING
General Manager