

No. 8674

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

**Guarantee Agreement—*Second Power Project* (with annexed Loan Regulations No. 4, Loan Agreement between the Bank and Swaziland and Project Agreement between the Bank and the Swaziland Electricity Board). Signed at Washington, on 24 April 1967**

*Official text : English.*

*Registered by the International Bank for Reconstruction and Development on 26 June 1967.*

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

**Contrat de garantie — *Deuxième projet d'équipement hydro-électrique* (avec, en annexe, le Règlement n° 4 sur les emprunts, le Contrat d'emprunt entre la Banque et le Souaziland et le Contrat relatif au Projet entre la Banque et le Swaziland Electricity Board). Signé à Washington, le 24 avril 1967**

*Texte officiel anglais.*

*Enregistré par la Banque internationale pour la reconstruction et le développement le 26 juin 1967.*

No. 8674. GUARANTEE AGREEMENT<sup>1</sup> (*SECOND POWER PROJECT*) BETWEEN THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 24 APRIL 1967

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AGREEMENT, dated April 24, 1967, between UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND (hereinafter called the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS by an agreement of even date herewith between Swaziland (hereinafter called the Borrower) and the Bank, which agreement (including the schedules therein referred to) is hereinafter called the Loan Agreement,<sup>2</sup> the Bank has agreed to make to the Borrower a loan in various currencies in an aggregate principal amount equivalent to two million seven hundred and fifty thousand dollars (\$2,750,000) on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agree to guarantee such loan as hereinafter provided; and

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

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,<sup>3</sup> subject, however, to the modifications thereof set forth in Schedule 2 to the Loan Agreement (such Loan Regulations No. 4, as so modified, being hereinafter called the Loan Regulations) with the same force and effect as if they were fully set forth herein.

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<sup>1</sup> Came into force on 26 May 1967, upon notification by the Bank to the Government of the United Kingdom of Great Britain and Northern Ireland.

<sup>2</sup> See p. 12 of this volume.

<sup>3</sup> See p. 10 of this volume.

## Article II

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

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

## Article III

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

- (a) the creation of any lien on any property purchased, at the time of the purchase, solely as security for the payment of the purchase price of such property;
- (b) any lien on commercial goods to secure a debt maturing not more than one year after the date on which it is originally incurred and to be paid out of the proceeds of sale of such commercial goods; or
- (c) any pledge by or on behalf of the Guarantor of any of its assets in the ordinary course of banking business to secure any indebtedness maturing not more than one year after its date.

For the purpose of this Section, the expression "assets or revenues of the Guarantor" shall include assets or revenues of any territorial subdivision of the Guarantor which has power to raise revenues by taxation and to charge such revenues or any of its assets as security for external debt.

*Section 3.02.* (a) The Guarantor and the Bank shall cooperate fully towards achievement of the purposes of the Loan. To that end, each of them shall furnish to the other all such information as shall be reasonably requested with regard to the general status of the Loan. On the part of the Guarantor, such information shall include information with respect to financial and economic conditions in the territories of the Guarantor and the international balance of payments position of the Guarantor.

(b) The Guarantor and the Bank shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan and the maintenance of the service thereof. The Guarantor shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

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

*Section 3.03.* The principal of, and interest and other charges on, the Loan and the Bonds shall be paid without deduction for, and free from, any taxes, and free from all restrictions, imposed under the laws of the Guarantor; 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 on or in connection with the execution, issue, delivery or registration thereof.

#### *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. A Secretary of the Treasury of the Guarantor and such person or persons as he shall designate in writing are designated as the authorized representatives of the Guarantor for the purposes of Section 6.12 (b) of the Loan Regulations.

#### *Article V*

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

For the Guarantor :

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

Alternative address for cables and radiograms :

Proflist  
London

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

United Kingdom of Great Britain and Northern Ireland :

*By* Patrick DEAN  
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  
(SECOND POWER PROJECT)

AGREEMENT, dated April 24, 1967, between SWAZILAND (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS (A) the Borrower has requested the Bank to grant a loan to the Borrower the proceeds of which the Borrower intends to relend to the Swaziland Electricity Board (hereinafter called the Board);

(B) by a Project Agreement of even date herewith<sup>1</sup> between the Bank and the Board, the Board has undertaken certain obligations in respect of the carrying out of the Project and related matters;

(C) the Bank has, on the basis of the foregoing, agreed to grant a loan to the Borrower upon the terms and conditions hereinafter set forth;

NOW THEREFORE, the parties hereto hereby agree as follows :

*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,<sup>2</sup> subject, however, to the modifications thereof set forth in Schedule 2 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.

*Section 1.02.* Except where the context otherwise requires, the following terms have the following meanings wherever used in this Agreement or any schedule thereto :

(a) The term "Commissioner" means the person for the time being occupying the office of Her Majesty's Commissioner for Swaziland and any successor office or any person performing his functions under this Agreement.

(b) The term "the Board" means the Swaziland Electricity Board constituted by the Electricity Proclamation 1963 of the Borrower promulgated on April 26, 1963 and shall include any successor agency.

(c) The term "Project Agreement" means the agreement of even date herewith between the Bank and the Board, as the same may be amended or supplemented from time to time by agreement between the Bank and the Board.

(d) The term "Subsidiary Loan Agreement" means the loan agreement referred to in Section 5.02 (a) of this Agreement, to be entered into between the Borrower and the Board.

(e) The term "Permit" means the permit issued to the Board on October 8, 1964 authorizing the Board to store and divert water from the Little and Great Usutu Rivers.

<sup>1</sup> See p. 36 of this volume.

<sup>2</sup> See p. 10 of this volume.

(f) The term "First Loan Agreement" means the Loan Agreement (*Edwaleni Power Project*) between the Borrower and the Bank dated May 16, 1963.<sup>1</sup>

(g) The term "First Loan" means the loan provided for in the First 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 two million seven hundred and fifty thousand dollars (\$2,750,000).

*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. Subject to the provisions of Section 2.03, the Borrower shall be entitled to withdraw the amount of the Loan 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 not be entitled to make withdrawals from the Loan Account in respect of Part B of the Project unless the following condition shall have been fulfilled: the Board shall have entered into an agreement with Usutu Pulp Company Limited for the supply of electricity on terms and conditions satisfactory to the Bank.

*Section 2.04.* In the event that the condition set forth in Section 2.03 to this Agreement shall not have been fulfilled by August 31, 1967, the Loan shall be cancelled with respect to an amount of two hundred and fifty thousand dollars equivalent (\$250,000) and the Project as described in the Schedule to the Project Agreement shall be amended by the deletion of Part B thereof.

*Section 2.05.* The Borrower shall pay interest at the rate of six per cent (6%) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

*Section 2.06.* 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 2.07.* Except as the Borrower and the Bank 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 percent ( $\frac{1}{2}$  of 1%) per annum on the principal amount of any such special commitments outstanding from time to time.

*Section 2.08.* Interest and other charges shall be payable semi-annually on February 15 and August 15 in each year.

*Section 2.09.* The Borrower shall repay the principal of the Loan in accordance with the Amortization Schedule set forth in Schedule 1 to this Agreement.

<sup>1</sup> United Nations, *Treaty Series*, Vol. 477, p. 361.

*Section 2.10.* For the purposes of facilitating the sale of portions of the Loan, Bonds, portions of the First Loan or bonds representing the First Loan, it is agreed that in connection with any such sale notwithstanding the provisions of Section 3.03 of the Loan Regulations (applicable to this Loan Agreement and to the First Loan Agreement), the Bank and the Borrower, with the approval of the Guarantor and the Board, may from time to time agree that any portion of the Loan or the First 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 shall be repayable in such other currency or currencies.

### *Article III*

#### USE OF PROCEEDS OF THE LOAN

*Section 3.01.* The Borrower shall cause the proceeds of the Loan to be applied exclusively to financing the cost of goods required to carry out the Project. 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 Board acting on behalf of the Borrower, subject to modification by further agreement between them.

*Section 3.02.* Except as the Bank 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 Borrower, and there to be used exclusively in the carrying out of the Project.

### *Article IV*

#### BONDS

*Section 4.01.* The Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in the Loan Regulations.

*Section 4.02.* The Commissioner 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.* 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 the assets of the Borrower. To that end, the Borrower undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Borrower 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.

The term "assets of the Borrower" as used in this Section includes assets of the Borrower or of any of its political subdivisions or of any agency of the Borrower or of any such political subdivision, including assets of any institution performing the functions of a central bank.

*Section 5.02.* (a) The Borrower shall relend the proceeds of the Loan to the Board. To that effect, the Borrower shall enter into a Subsidiary Loan Agreement, satisfactory to the Bank, with the Board. The Borrower shall exercise its rights in relation to the Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Bank.

(b) Except as the Bank shall otherwise agree, the Borrower shall not amend, assign, abrogate or waive any provision of the Subsidiary Loan Agreement.

*Section 5.03.* (a) The Borrower shall cause the Project to be carried out by the Board with due diligence and efficiency and in conformity with sound engineering, financial and public utility practices. Without limitation or restriction upon any of the other covenants on its part in this Agreement contained the Borrower shall, whenever there is reason to believe that the funds, facilities, services and other resources available

to the Board are inadequate for the purpose, make arrangements, satisfactory to the Bank, promptly to provide to the Board or cause the Board to be provided with the funds, facilities, services and other resources required therefor.

(b) The Borrower shall cause to be performed all the covenants, agreements and obligations of the Board set forth in the Project Agreement and the Subsidiary Loan Agreement, shall take or cause to be taken all action necessary or appropriate to enable the Board to perform such covenants, agreements and obligations, and shall not take or permit any of its political subdivisions or agencies to take any action which would prevent or interfere with the successful operation of the Project or with the performance by the Board of any of the covenants, agreements and obligations contained in the Project Agreement or the Subsidiary Loan Agreement.

*Section 5.04.* The Borrower shall cause the Board : (i) to maintain records adequate to identify the goods financed out of the proceeds of the Loan, to disclose the use thereof in the Project and to record the progress of the Project (including the cost thereof); (ii) to enable the Bank's representatives to inspect the Project, the goods and any relevant records and documents; and (iii) to furnish to the Bank all such information as the Bank shall reasonably request concerning the Project, the goods and the expenditure of the proceeds of the Loan.

*Section 5.05.* (a) The Borrower and the Bank shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, each of them shall furnish to the other all such information as shall be reasonably requested with regard to the general status of the Loan. On the part of the Borrower, such information shall include information with respect to financial and economic conditions in the territories of the Borrower, the debts of the Borrower and its agencies and political subdivisions and, to the extent ascertainable, the international balance of payments position of the Borrower.

(b) The Borrower and the Bank shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan and the maintenance of the service thereof. The Borrower shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

(c) The Borrower shall afford all reasonable opportunity for accredited representatives of the Bank to visit any part of the territories of the Borrower for purposes related to the Loan.

*Section 5.06.* 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 Borrower 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 Borrower.

*Section 5.07.* The Loan Agreement, the Guarantee Agreement,<sup>1</sup> the Project Agreement and the Bonds shall be free from any taxes that shall be imposed under the

<sup>1</sup> See p. 4 of this volume.

laws of the Borrower or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof, and the Borrower shall pay all such 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.

*Section 5.08.* Except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that abstractions from the Little and Great Usutu Rivers (upstream of the Edwaleni power project intakes) by users other than the Board shall not after the date of this Agreement exceed in total 30 cubic feet per second over and above existing rights.

#### *Article VI*

##### REMEDIES OF BANK

*Section 6.01.* (i) If any event specified in paragraph (a), paragraph (b), paragraph (e), paragraph (f), paragraph (j) or paragraph (k) 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) or paragraph (l) 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 any such declaration such principal shall become due and payable immediately, anything in this Loan Agreement or in the Bonds to the contrary notwithstanding.

#### *Article VII*

##### EFFECTIVE DATE; TERMINATION

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

- (a) that the execution and delivery of the Project Agreement on behalf of the Board have been duly authorized or ratified by all necessary action of the Borrower and the Board;
- (b) that the Subsidiary Loan Agreement has been duly executed in form satisfactory to the Bank and has become binding upon the parties thereto in accordance with its terms; and
- (c) that the Board shall have certified in writing to the Bank that, as of a date to be agreed between the Bank and the Board (which shall be prior to the Effective Date), there has been no material adverse change in the financial position of the Board since the date of this Agreement.

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

- (a) that the Project Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Board and constitutes a valid and binding obligation of the Board in accordance with its terms;
- (b) that the Subsidiary Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and the Board and has become effective and is a valid and binding obligation of the parties thereto in accordance with its terms; and
- (c) that all acts, consents and approvals of the Borrower to be performed or given in order to authorize the construction of the Project, with all necessary powers and rights in connection therewith, have been duly and validly performed or given.

*Section 7.03.* If this Loan Agreement shall not have come into force and effect by June 30, 1967, 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, the Guarantor and the Board of such later date.

#### *Article VIII*

##### MISCELLANEOUS

*Section 8.01.* The Closing Date shall be December 31, 1970 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 Borrower :

The Secretariat  
P.O. Box 57  
Mbabane, Swaziland

Alternative address for cables and radiograms :

Swazi  
Mbabane

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 8.03.* (a) The Commissioner (or when a Minister of Finance is appointed such Minister) is designated for the purposes of Section 8.03 (A) of the Loan Regulations.

(b) The Borrower irrevocably designates the Board for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article IV of the Loan Regulations.

*Section 8.04.* In the event the Board repays to the Borrower in advance of maturity all or any portion of the Loan relented to the Board under the Subsidiary Loan Agreement, the Borrower shall promptly notify the Bank and shall repay to the Bank on the next following interest payment date an amount of the Loan equivalent to the amount so repaid to it by the Board, together with the premium specified in Schedule 1 to this Agreement.

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.

Swaziland :

By R. J. R. OWEN  
Authorized Representative

International Bank for Reconstruction and Development :

By J. Burke KNAPP  
Vice President

### SCHEDULE 1

#### AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>
February 15, 1971 . . . . .	\$ 50,000	August 15, 1979 . . . . .	\$ 85,000
August 15, 1971 . . . . .	50,000	February 15, 1980 . . . . .	85,000
February 15, 1972 . . . . .	55,000	August 15, 1980 . . . . .	90,000
August 15, 1972 . . . . .	55,000	February 15, 1981 . . . . .	90,000
February 15, 1973 . . . . .	55,000	August 15, 1981 . . . . .	95,000
August 15, 1973 . . . . .	60,000	February 15, 1982 . . . . .	95,000
February 15, 1974 . . . . .	60,000	August 15, 1982 . . . . .	100,000
August 15, 1974 . . . . .	60,000	February 15, 1983 . . . . .	100,000
February 15, 1975 . . . . .	65,000	August 15, 1983 . . . . .	105,000
August 15, 1975 . . . . .	65,000	February 15, 1984 . . . . .	110,000
February 15, 1976 . . . . .	65,000	August 15, 1984 . . . . .	110,000
August 15, 1976 . . . . .	70,000	February 15, 1985 . . . . .	115,000
February 15, 1977 . . . . .	70,000	August 15, 1985 . . . . .	120,000
August 15, 1977 . . . . .	75,000	February 15, 1986 . . . . .	120,000
February 15, 1978 . . . . .	75,000	August 15, 1986 . . . . .	125,000
August 15, 1978 . . . . .	80,000	February 15, 1987 . . . . .	115,000
February 15, 1979 . . . . .	80,000		

\* 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 . . . . .	5%
More than eighteen years before maturity . . . . .	6%

## SCHEDULE 2

## 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 modified as follows :

(a) By the deletion of the last sentence of Section 4.01 and the substitution therefor of the following sentence :

“ Except as shall be otherwise agreed between the Bank and the Borrower, no withdrawals shall be made on account of (a) expenditures prior to the Effective Date or (b) expenditures for goods produced in (including services supplied from) the territories of the Borrower or (c) expenditures in the territories of any country which is not a member of the Bank (other than Switzerland) or for goods produced in (including services supplied from) such territories. ”

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

“(b) A default shall have occurred in the payment of principal or interest or any other payment required under any other loan agreement or under any guarantee agreement between the Borrower and the Bank or under any development credit agreement between the Borrower and the International Development Association or under any loan agreement or under any guarantee agreement between the Guarantor and the Bank or under any bond delivered pursuant to any such agreement.

“(c) A default shall have occurred in the performance of any other covenant or agreement on the part of the Borrower or the Guarantor under the Loan Agreement, the Guarantee Agreement or the Bonds, or under any other loan agreement or under any guarantee agreement between the Borrower and the Bank or under any guarantee agreement between the Guarantor and the Bank guaranteeing a loan to the Borrower or under any bond delivered pursuant to any such agreement.

“(d) An extraordinary situation shall have arisen which shall make it improbable that the Borrower or the Guarantor will be able to perform its obligations under the

Loan Agreement or the Guarantee Agreement, or the Bonds, or there shall occur any such change in the nature and constitution of the Borrower as shall make it improbable that the Borrower will be able to carry out its obligations under the Loan Agreement or the Bonds.

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

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

“(j) The Electricity Proclamation 1963 of the Borrower dated April 26, 1963 or the Permit shall have been cancelled, suspended, terminated, replaced or repealed, or materially amended, without the prior agreement of the Bank.”

(c) By the addition to Section 5.02 of the following new sub-paragraphs :

“(k) A default shall have occurred in the performance of any covenant or agreement on the part of the Board under the Project Agreement or under any other project agreement between the Bank and the Board.

“(l) A default shall have occurred in the performance of any other covenant or agreement on the part of the Borrower under any development credit agreement between the Borrower and the International Development Association.

“(m) Failure by the Borrower or the Guarantor to fulfill an obligation to make payment of principal or interest or any other payment required under the Loan Agreement, the Guarantee Agreement or the Bonds or under any other loan agreement between the Bank and the Borrower or under any loan or guarantee agreement between the Guarantor and the Bank or under any bond delivered pursuant to any such agreement or under any development credit agreement between the Borrower and the International Development Association even though such payment has been made by other persons.”

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

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

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

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

following : any extension of time, forbearance or concession given to the Borrower or the Board; any assertion of, or failure to assert, or delay in asserting, any right, power or remedy against the Borrower or the Board or in respect of any security for the Loan; any modification or amplification of the provisions of the Loan Agreement or the Project Agreement contemplated by the terms thereof; any failure of the Borrower or the Board to comply with any requirement of any law, regulation or order of the Guarantor or of the Borrower or of any political subdivision or agency of the Guarantor or of the Borrower.”

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

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

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

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

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

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

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

(k) By the deletion of Section 9.04 and the substitution therefor of the following Section :

“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.”

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

“Whenever reference is made to the currency of the Guarantor, the term ‘currency’ means such coin or currency as at the time referred to is legal tender for the payment of public and private debts in the United Kingdom of Great Britain and Northern Ireland.”

(m) By the deletion of paragraph 11 of Section 10.01 and the substitution therefor of the following paragraph :

“11. The term ‘Project’ means the project for which the Loan is granted, as described in the Schedule to the Project Agreement and as the description thereof shall be amended from time to time by agreement between the Bank and the Board with the concurrence of the Borrower.”

(n) By the deletion, in paragraph 12 of Section 10.01, of the word “Guarantor” and the substitution therefor of the word “Borrower”.

(o) By the deletion of paragraph 13 of Section 10.01 and the substitution therefor of the following paragraph :

“13. Where used in Section 3.01 of the Guarantee Agreement, the term ‘external debt’ means any debt payable in any medium other than in currency of the Guarantor, whether such debt is or may become payable absolutely or at the option of the creditor in such other medium.”

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

“The principal of the Bonds, the interest accruing thereon and the premium, if any, on the redemption thereof shall be paid without deduction for and free from any taxes, imposts, levies or duties of any nature or any restrictions now or at any time hereafter imposed under the laws of [name of Guarantor], or of [the Borrower] or laws in effect in their territories; provided, however, that the provisions of this paragraph shall not apply to taxation imposed (a) under the laws of [name of Guarantor] on or in connection with payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of [name of Guarantor] or (b) under the laws of [the Borrower] or laws in effect in its territories on or in connection with payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of [the Borrower].”

PROJECT AGREEMENT  
(SECOND POWER PROJECT)

AGREEMENT, dated April 24, 1967, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and SWAZILAND ELECTRICITY BOARD (hereinafter called the Board).

WHEREAS by a Loan Agreement of even date herewith<sup>1</sup> between Swaziland and the Bank, which Agreement and the Schedules and Loan Regulations therein referred to and incorporated, together with any changes which may be made therein in accordance with the provisions thereof, are hereinafter called the Loan Agreement, the Bank has agreed to make a loan to Swaziland (hereinafter called the Borrower) in various currencies in an amount equivalent to two million seven hundred and fifty thousand dollars (\$2,750,000) on the terms and conditions set forth in the Loan Agreement, to be relented to the Board, but only on condition that the Board agree to undertake certain obligations to the Bank as hereinafter provided; and

WHEREAS the Board has agreed to undertake the obligations hereinafter set forth;

NOW THEREFORE the parties hereto hereby agree as follows :

*Article I*

DEFINITIONS

*Section 1.01.* Wherever used in this Agreement, unless the context shall otherwise require, the several terms defined in the Loan Agreement (as above defined) shall have the respective meanings therein set forth.

*Article II*

PARTICULAR COVENANTS OF THE BOARD

*Section 2.01.* The Board shall carry out the Project with due diligence and efficiency and shall at all times conduct its operations and affairs under the supervision of competent management and shall maintain its financial position in accordance with sound engineering, financial and public utility practices.

*Section 2.02. (a)* The Board shall at all times maintain its existence and right to carry on its operations and shall, except as the Bank shall otherwise agree, take all steps to acquire, maintain and renew all rights, powers, privileges and franchises which are necessary or useful in the conduct of its business.

*(b)* The Board shall maintain its plants, equipment and other property, and from time to time make all necessary renewals and repairs thereof, all in accordance with sound engineering practices, and shall at all times operate such plants, equipment and property in accordance with sound business and public utility practices.

<sup>1</sup> See p. 12 of this volume.

*Section 2.03.* The Board shall furnish to the Bank upon request by the Bank from time to time, 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.

*Section 2.04.* The Board 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 its operations and financial condition; (ii) enable the Bank's representatives to inspect the Project, the goods and all facilities operated by it and any relevant records and documents; and (iii) 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 all facilities operated by it, and its administration, operations and financial condition.

*Section 2.05.* In order that the Bank and the Board may cooperate to the fullest extent in assuring that the purposes of the Loan and this Agreement shall be accomplished :

(a) The Board shall promptly inform the Bank of any condition which prevents, interferes, or threatens to interfere with the accomplishment of the purposes of the Loan or the performance by the Board of its obligations under this Agreement or the Subsidiary Loan Agreement.

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

*Section 2.06.* Unless the Bank shall otherwise agree, the Board shall not incur any indebtedness for money borrowed (other than the Loan) or any indebtedness for credits from suppliers payable more than 91 days from the date on which it is incurred except (i) for purposes of the Project, an amount or amounts not exceeding in the aggregate at any one time outstanding the equivalent of rand 500,000; provided, however, that such debt outstanding on March 31, 1968 shall mature no earlier than March 31, 1969 and otherwise be on terms and conditions satisfactory to the Bank; and (ii) from time to time such additional amounts not exceeding in the aggregate at any one time outstanding the equivalent of rand 400,000.

For the purposes of this Section, the term " rand " means rand in the currency of the Borrower.

*Section 2.07.* The Board shall from time to time make such adjustments in its rates for the supply of electricity as will provide revenues sufficient to enable it to cover

its operating expenses (including adequate maintenance and taxes, if any), interest, repayments on long-term indebtedness or depreciation (whichever is greater) and reasonable allocations to reserves.

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

*Section 2.08.* (a) All works included in the Project which are to be constructed under contract shall be constructed by contractors acceptable to the Bank and the Board, employed under contracts satisfactory to the Bank and the Board.

(b) The general design standards to be used for the Project shall be satisfactory to the Bank and the Board.

(c) In connection with the carrying out of the Project, the Board shall employ consultants acceptable to, and to an extent and upon terms and conditions satisfactory, to the Bank and the Board.

*Section 2.09.* (a) The Board shall take out and maintain with responsible insurers or make other provisions satisfactory to the Bank for insurance against such risks and in such amounts as shall be consistent with sound practice.

(b) Without limiting the generality of the foregoing, the Board 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 Board to replace or repair such goods.

*Section 2.10.* The Board shall have its financial statements (balance sheet and related statement of earnings 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 Board'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.

*Section 2.11.* The Board shall obtain the agreement of the Bank prior to making any new appointment to the office of Chief Executive Officer of the Board.

*Section 2.12.* The Board shall apply the proceeds of the Loan exclusively to financing the cost of goods required to carry out the Project. The specific goods to be financed out of the proceeds of the Loan and the methods and procedures for the procurement of such goods shall be determined by agreement between the Bank and the Board acting on behalf of the Borrower, subject to modification by further agreement between them.

*Section 2.13.* Except as the Bank shall otherwise agree, the Board shall import or cause to be imported into the territories of the Borrower all goods financed out of the proceeds of the Loan and shall use them there or cause them to be used there exclusively in the carrying out of the Project.

*Section 2.14.* (a) The Board shall enter into a Subsidiary Loan Agreement with the Borrower satisfactory to the Bank, providing for the relending by the Borrower to the Board of the proceeds of the Loan. The Board shall exercise its rights under the Subsidiary Loan Agreement in such manner as to protect the interests of the Bank and the Board.

(b) Except as the Bank shall otherwise agree, the Board shall not amend, assign, abrogate or waive any provision of the Subsidiary Loan Agreement.

### *Article III*

#### EFFECTIVE DATE; TERMINATION

*Section 3.01.* This Agreement shall come into force and effect on the Effective Date. If, pursuant to Section 7.03 of the Loan Agreement, the Loan Agreement shall be terminated, this Project Agreement and all obligations of the parties hereunder shall also terminate and the Bank shall promptly notify the Board thereof.

*Section 3.02.* This Agreement shall terminate and the obligations of the parties hereunder shall cease and determine (i) on the date on which the Loan Agreement shall terminate or (ii) on the date on which all principal, interest and other sums payable by the Board under the Subsidiary Loan Agreement shall have been paid, whichever shall be the earlier.

### *Article IV*

#### MISCELLANEOUS PROVISIONS

*Section 4.01.* No holder (other than the Bank) of any Bond shall by virtue of being holder thereof be entitled to exercise any of the rights conferred, or be subject to any of the conditions or obligations imposed, upon the Bank under this Agreement.

*Section 4.02.* No delay in exercising, or omission to exercise, any right, power or remedy accruing to either party under this Agreement upon any default shall impair any such right, power or remedy or be construed to be a waiver thereof or an acquiescence in such default; nor shall the action of such party in respect of any default, or any acquiescence in any default, affect or impair any right, power or remedy of such party in respect of any other or subsequent default.

*Section 4.03.* Any notice or request required or permitted to be given or made under this Agreement, the Loan Agreement or any other agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable or radiogram to the party to which it is required or permitted to be given or made at its address hereinafter specified, or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are :

For the Board :

Swaziland Electricity Board  
P.O. Box 258  
Mbabane, Swaziland

Alternative address for cables and radiograms :

Power  
Mbabane

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 4.04.* Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Agreement on behalf of the Board may be taken or executed by the Chairman of the Board or such person or persons as he shall designate in writing.

*Section 4.05.* This Agreement may be executed in several counterparts, each of which shall be an original and all collectively but one instrument.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Agreement to be signed in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

International Bank for Reconstruction and Development :

By J. Burke KNAPP  
Vice President

Swaziland Electricity Board :

By R. J. R. OWEN  
Authorized Representative

## SCHEDULE

## DESCRIPTION OF PROJECT

The Project consists of the following :

*Part A*

- I. The installation at Edwaleni of about 5 MW of diesel driven generating plant together with ancillary equipment and switch-gear in an extension of the existing power station building.
- II. The installation at Edwaleni of about 5 MW water driven generating unit with ancillary equipment in an extension of the existing power station building, the construction of the necessary conduit, surge tower and penstock, and extension of the existing 66 kv substation adjacent to the power station.
- III. The construction at Magadzuza of a hydro-electric power station with a single generating unit of about 6.5 MW capacity, together with the necessary ancillary equipment, canal, headpond, conduit, surge tower and penstock and a 66 kv step-up sub-station, approximately three miles downstream of the existing Edwaleni power station on the Great Usutu River.

*Part B*

The construction of a 66 kv line from Edwaleni to Mhlambanyati with step-down substations at Mhlambanyati and at the Usutu Pulp Company's factory together with extensions to the 66 kv substations at Edwaleni and Stonehenge.

The Project is expected to be completed in mid-1970.

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