

No. 9319

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

Guarantee Agreement—Power Project (with annexed Loan Regulations No. 4, as amended, Loan Agreement between the Bank and the Central Electricity and Water Corporation and related letter). Signed at Washington, on 15 January 1968

Official text : English.

Registered by the International Bank for Reconstruction and Development on 21 November 1968.

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

Contrat de garantie — *Projet relatif à l'énergie électrique* (avec, en annexe, le Règlement n° 4 sur les emprunts, tel qu'il a été modifié, le Contrat d'emprunt entre la Banque et la Central Electricity and Water Corporation et lettre connexe). Signé à Washington, le 15 janvier 1968

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 21 novembre 1968.

No. 9319. GUARANTEE AGREEMENT¹ (*POWER PROJECT*)
BETWEEN THE REPUBLIC OF THE SUDAN AND THE
INTERNATIONAL BANK FOR RECONSTRUCTION AND
DEVELOPMENT. SIGNED AT WASHINGTON, ON 15
JANUARY 1968

AGREEMENT, dated January 15, 1968, between THE REPUBLIC OF THE SUDAN (hereinafter called the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS by an agreement² of even date herewith between the Bank and the Central Electricity and Water Corporation (hereinafter called the Borrower), which agreement and the schedules therein referred to are hereinafter called the Loan Agreement, the Bank has agreed to make to the Borrower a loan in various currencies equivalent to twenty-four million dollars (\$ 24,000,000), 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, 1961, as amended February 9, 1967³ with the same force and effect as if they were fully set forth herein (said Loan Regulations No. 4 being hereinafter called the Loan Regulations).

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

¹ Came into force on 23 July 1968, upon notification by the Bank to the Government of the Sudan.

² Sec p. 348 of this volume.

³ See p. 348 of this volume.

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 and the punctual performance of all covenants and agreements of the Borrower, all as set forth in the Loan Agreement and in the Bonds.

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

Article III

Section 3.01. It is the mutual intention of the Guarantor and the Bank that no other external debt shall enjoy any priority over the Loan by way of a lien on 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; and (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 Guarantor" as used in this Section includes assets of the Guarantor or of any of its political subdivisions or of any agency of the Guarantor or of any such political subdivision, including the Bank of The Sudan and any other institution acting as central bank for the Guarantor.

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 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 administration, operations and financial condition of the Borrower and other 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 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 Guarantor shall enable the Borrower to establish and maintain tariffs for the supply of electricity and water which will provide revenue sufficient :

- (a) to cover operating expenses, including taxes, if any, and to provide adequate maintenance and depreciation; and
- (b) to produce a reasonable return on the total value of the Borrower's net fixed assets in operation.

Section 3.06. The Guarantor shall not require the Borrower to repay any amount of the Guarantor's advances to the Borrower until such time as the Guarantor and the Bank shall agree that the financial condition of the Borrower warrants such repayment.

Section 3.07. The Guarantor shall at all times cause the Roseires Dam to be operated in such manner as shall ensure that, in accordance with sound engineering practices, the water impounded will, to the maximum extent consistent with the requirements of domestic users and of the irrigation

schemes served or to be served by the Dam, be fully and effectively used for electric power generation.

Article IV

Section 4.01. The Guarantor shall endorse, in accordance with the provisions of the Loan Regulations, its guarantee on the Bonds to be executed and delivered by the Borrower. The Minister of Finance and Economics of the Guarantor or 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 :

Ministry of Finance and Economics
Government of The Sudan
Khartoum, P.O.B. 298
Sudan

Alternative address for cables :

Malisudan
Khartoum

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 :

Intbafrad
Washington, D.C.

Section 5.02. The Minister of Finance and Economics 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.

The Republic of the Sudan :

By Ahmed Mohamed NUR

Authorized Representative

International Bank for Reconstruction and Development :

By Simon ALDEWERELD

Vice President

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 4, DATED 15 FEBRUARY 1961,
AS AMENDED 9 FEBRUARY 1967

REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK TO BORROWERS
OTHER THAN MEMBER GOVERNMENTS

[*Not published herein. See United Nations, Treaty Series, Vol. 598, p. 270.*]

LOAN AGREEMENT

(POWER PROJECT)

AGREEMENT, dated January 15, 1968, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and CENTRAL ELECTRICITY AND WATER CORPORATION (hereinafter called the Borrower) established under The Central Electricity and Water Corporation Act, 1966 of The Republic of The Sudan (hereinafter called the Guarantor).

Article I

LOAN REGULATIONS

Section 1.01. The parties to this Agreement accept all the provisions of Loan Regulations No. 4 of the Bank, dated February 15, 1961, as amended February 9, 1967, with the same force and effect as if they were fully set forth herein (said Loan Regulations No. 4 being hereinafter called the Loan Regulations).

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower an amount in various currencies equivalent to twenty-four million dollars (\$ 24,000,000).

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, this Agreement and the Loan Regulations.

Section 2.03. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ($3/4$ of 1 %) per annum on the principal amount of the Loan not withdrawn from time to time from the Loan Account.

Section 2.04. The Borrower shall pay interest at the rate of six and one-fourth per cent ($6\ 1/4$ %) 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 ($1/2$ of 1 %) per annum on the principal amount of any such special commitment outstanding from time to time.

Section 2.06. Interest and other charges shall be payable semi-annually on January 1 and July 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.

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 allocation of the proceeds of the Loan and the methods and procedures for procurement of the goods to be financed out of such proceeds 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. If and as the Bank shall from time to time request, the Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in Article VI of the Loan Regulations.

Section 4.02. The General Manager of the Borrower is designated as authorized representative of the Borrower for the purposes of Section 6.12 (a) of the Loan

Regulations. The Borrower may designate by resolution notified in writing to the Bank additional or other representatives for such purposes.

Article V

PARTICULAR COVENANT

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

(d) 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 submit annually to the Bank, not later than five months after the end of the fiscal year of the Borrower, the audited financial statements of the Borrower; and shall enable the Bank's representatives to inspect the Project, the goods and all other plants, sites, works, property, equipment and operations of the Borrower and any relevant records and documents.

Section 5.02. The Borrower shall conduct its business and carry on its operations in accordance with sound public utility practices and to that end shall employ at all times qualified and experienced management.

Section 5.03. (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 of its obligations under this 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 this Agreement.

Section 5.04. Except as the Bank and the Borrower shall otherwise agree, the Borrower shall not incur any long-term indebtedness unless the Borrower's net revenues for the fiscal year, or a later twelve consecutive months' period, immediately preceding the date of such incurrence shall be at least 1.5 times the maximum debt service requirements in any succeeding fiscal year, including the fiscal year in which the debt is to be incurred, on all the Borrower's long-term indebtedness (including the debt to be incurred) and the outstanding Guarantor's advances to the Borrower.

For the purposes of this Section :

(i) the term " long-term indebtedness " shall mean any debt maturing more than one year after the date on which it is originally incurred, other than Guarantor's advances to the Borrower ;

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

(iii) the term " net revenues " shall mean gross revenues from all sources adjusted to take into account rates in effect at the time of incurrence of such debt even through 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 excluding provision for depreciation and interest and other charges on debt ;

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

(v) whenever it shall be necessary to value in currency of the Guarantor debt payable in another currency, such valuation shall be made on the basis of the rate of exchange at which such other currency is obtainable by the Borrower, at the time such valuation is made, for the purposes of servicing such debt or, if such currency is not so obtainable, at the rate of exchange that will be reasonably determined by the Bank.

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. Subject to such exemptions as shall be conferred by the provisions of Sections 3.03 and 3.04 of the Guarantee Agreement, 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 5.07. The Borrower shall pay or cause to be paid all taxes, if any, imposed under the laws of the country or countries in whose currency the Loan and the Bonds are payable or laws in effect in the territories of such country or countries on or in connection with the execution, issue, delivery or registration of the Loan Agreement, the Guarantee Agreement or the Bonds.

Section 5.08. (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 5.09. The Borrower 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 ; shall, except as the Bank shall otherwise agree, take all practical steps which may be reasonably necessary to maintain and renew all rights, powers, privileges and franchises which are necessary or useful in the conduct of its business ; and shall at all times operate its plants and equipment in accordance with sound public utility practices.

Section 5.10. The Borrower shall have its accounts regularly audited, at least once a year, by independent auditors acceptable to the Bank and shall send to the Bank, together with the Borrower's audited financial statements, the auditors' report thereon.

Section 5.11. The Borrower shall establish and maintain tariffs for the supply of electricity and water which will provide revenue sufficient :

- (a)* to cover operating expenses, including taxes, if any, and to provide adequate maintenance and depreciation ; and
- (b)* to produce a reasonable return on the total value of the Borrower's net fixed assets in operation.

Section 5.12. The Borrower shall not repay any amount of the Guarantor's advances to the Borrower until the Guarantor and the Bank shall agree that the financial condition of the Borrower warrants such repayment.

Article VI

REMEDIES OF THE BANK

Section 6.01. (i) If any event specified in paragraph (a), 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 a default shall occur in the payment of principal or interest or any other payment required under any other loan agreement between the Bank and the Borrower or under any bond delivered pursuant thereto or under any credit agreement between the Association and the Borrower and such default shall continue for a period of thirty days, or (iii) if a default shall occur in the payment of principal or interest or any other payment required 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 or under any credit agreement between the Association and the Guarantor under circumstances which would make it unlikely that the Guarantor would meet its obligations under the Guarantee Agreement and such default shall continue for a period of thirty days, or (iv) if any event specified in Section 6.02 of this Agreement shall occur, or (v) 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 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. Pursuant to paragraph (l) of Section 5.02 of the Loan Regulations the following event is specified as an additional event for the purposes of said Section :

The Central Electricity and Water Corporation Act, 1966 of the Guarantor shall have been suspended or abrogated or so amended as to impair the ability of the Borrower to carry out its obligations under the Loan Agreement.

Article VII

MISCELLANEOUS

Section 7.01. The Closing Date shall be December 31, 1972 or such later date as may be agreed by the Bank.

Section 7.02. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Borrower :

Central Electricity and Water Corporation
P.O. Box 1380
Khartoum
The Sudan

Alternative address for cables :

Ampere
Khartoum

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 :

Intbafrad
Washington, D.C.

Section 7.03. The date of March 8, 1968 is specified for the purposes of Section 9.04 of the Loan Regulations.

IN WITNESS WHEREOF, the parties hereto, acting through their representative 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 Simon ALDEWERELD
Vice President

Central Electricity and Water Corporation :

By Ahmed Mohamed NUR
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>
January 1, 1973	295,000	July 1, 1983	565,000
July 1, 1973	305,000	January 1, 1984	585,000
January 1, 1974	315,000	July 1, 1984	600,000
July 1, 1974	325,000	January 1, 1985	620,000
January 1, 1975	335,000	July 1, 1985	640,000
July 1, 1975	345,000	January 1, 1986	660,000
January 1, 1976	355,000	July 1, 1986	680,000
July 1, 1976	370,000	January 1, 1987	700,000
January 1, 1977	380,000	July 1, 1987	725,000
July 1, 1977	390,000	January 1, 1988	745,000
January 1, 1978	405,000	July 1, 1988	770,000
July 1, 1978	415,000	January 1, 1989	795,000
January 1, 1979	430,000	July 1, 1989	820,000
July 1, 1979	440,000	January 1, 1990	845,000
January 1, 1980	455,000	July 1, 1990	870,000
July 1, 1980	470,000	January 1, 1991	895,000
January 1, 1981	485,000	July 1, 1991	925,000
July 1, 1981	500,000	January 1, 1992	955,000
January 1, 1982	515,000	July 1, 1992	985,000
July 1, 1982	530,000	January 1, 1993	1,010,000
January 1, 1983	550,000		

* To the extent that any part of the Loan is repayable in a currency other than dollar (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	1 %
More than six years but not more than eleven years before maturity	2 %
More than eleven years but not more than sixteen years before maturity	3 %
More than sixteen years but not more than twenty-one years before maturity	4 %
More than twenty-one years but not more than twenty-three years before maturity	5 %
More than twenty-three years before maturity	6 ½ %

SCHEDULE 2

DESCRIPTION OF PROJECT

The Project, which forms part of the Borrower's expansion program during the fiscal years 1968 through 1973, consists of :

- (a) the construction of a superstructure on the existing foundation of a powerhouse at the Roseires Dam and the installation of three Kaplan turbine generating units each of about 30 MW rated capacity operating under a head ranging from 17 to 48 meters, together with associated electrical and mechanical equipment ;
- (b) (i) the construction of a 220 kV transmission system consisting of a single circuit 220 kV transmission line, about 490 km long, from the power house to Khartoum and substation equipment for the Khartoum and Meringan substations, and (ii) the extension of the existing 110 kV transmission system consisting of a double circuit 110 kV transmission line, about 16 km long, from the Khartoum substation to a new substation to be built at Khartoum North and substation equipment for these substations ;
- (c) the installation of a gas turbine generating unit of about 15 MW rated capacity at Khartoum ; and
- (d) the improvement of the management and organization of the Borrower.

It is expected that the Project will be completed by the middle of 1971.

LETTER RELATING TO THE LOAN AGREEMENT

THE REPUBLIC OF THE SUDAN

January 15, 1968

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

Re : *Loan No. 522 SU (Power Project)*
Rate of Return

Dear Sirs :

With reference to Section 5.11 of the Loan Agreement (*Power Project*) of even date between the Bank and the Central Electricity and Water Corporation and to Section 3.05 of the Guarantee Agreement (*Power Project*) of even date between the Republic of The Sudan and the Bank, we wish to confirm that, as part of the Project to be financed out of the proceeds of the Loan, the Borrower, prior to the completion of the remainder of the Project, will carry out with the assistance of consultants a complete tariff study and that, on the basis of the results of such study, appropriate

tariffs for the supply of electricity and water will be established in accordance with the requirements of said Section of the Loan Agreement.

We have agreed with the Bank that, for the purpose of establishing such tariffs after completion of the Project, any rate of return of less than 8 % per year on the total net fixed assets in operation of the Borrower would not be reasonable. The actual rate of return to be achieved will be determined from time to time after consultation with the Bank.

We recognize that it would be desirable that the water operations of the Borrower provide the same return as its electric power operations, and we confirm that we shall endeavor, over a period of time, to achieve an annual return from water operations equal to at least 8 % of the net fixed assets used for the supply of water. Until such rate of return is achieved, the annual return from water operations shall in no case be less than 4 % and the return from the supply of electric power shall be at the rate required to achieve overall an annual return of not less than 8 % on the total net fixed assets in operation of the Borrower.

For the purposes of this letter the rate of return will be calculated in respect of each fiscal year by relating the Borrower's net income for that year to the average value of the total net fixed assets in operation during the year.

As used in this letter, (a) the term "net income" shall mean electric power revenue and water revenue, respectively, from all sources, less all operating, administrative and overhead expenses, including straight-line depreciation (using the maximum useful lives of assets shown in the attached schedule), chargeable to electric power and water operations, respectively, and taxes, if any, or any payments in lieu thereof, but without deduction of any amounts of interest; (b) the term "total net fixed assets in operation" shall mean the gross value of the total assets, valued in accordance with proper methods of valuation or revaluation based on the recommendations of our consultants, less accumulated depreciation; and (c) the "average value" of total net fixed assets in operation will be determined by adding the value of the total net fixed assets in operation at the end of a fiscal year to the value of the total net fixed assets in operation at the beginning of that year and dividing the total by two.

We have further agreed with the Bank, that in order to provide at least a substantial portion of the funds required, on the basis of present estimates, for the Project, in addition to the Loan, the tariffs of the Borrower for the supply of electricity and water shall be maintained, until completion of the Project, at levels not lower than those presently in effect.

Please indicate your agreement with the foregoing by signing the form of confirmation on the enclosed copy of this letter and returning it to us.

Very truly yours,

The Republic of The Sudan :
By Ahmed Mohamed NUR
Authorized Representative

Central Electricity and Water Corporation :
By Ahmed Mohamed NUR
Authorized Representative

Enclosure

Confirmed :

International Bank for
Reconstruction and Development :
By Michael L. LEJEUNE

SCHEDULE

MAXIMUM USEFUL LIVES OF ASSETS

The following are the maximum useful lives to be used for calculating depreciation on the principal categories of fixed assets of Central Electricity and Water Corporation :

Hydroelectric stations	40 years
Steam electric stations	30 years
Diesel electric stations	20 years
Gas turbine stations	20 years
Electric power transmission system	35 years
Electric power distribution system	25 years
Water plant	40 years
Water distribution system	30 years