

No. 10483

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

Guarantee Agreement—*Fourth Power Project* (with annexed General Conditions Applicable to Loan and Guarantee Agreements and Loan Agreement between the Bank and the Ceylon Electricity Board). Signed at Washington on 28 July 1969

Authentic text: English.

Registered by the International Bank for Reconstruction and Development on 21 May 1970.

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

Contrat de garantie — *Quatrième projet relatif à l'énergie électrique* (avec, en annexe, les Conditions générales applicables aux contrats d'emprunt et de garantie et le Contrat d'emprunt entre la Banque et l'Office ceylanais de l'électricité). Signé à Washington le 28 juillet 1969

Texte authentique: anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 21 mai 1970.

GUARANTEE AGREEMENT¹

AGREEMENT, dated July 28, 1969, between GOVERNMENT OF CEYLON (hereinafter called the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS by the Loan Agreement of even date herewith² between the Bank and the Ceylon Electricity Board (hereinafter called the Borrower) the Bank has agreed to make to the Borrower a loan in various currencies equivalent to twenty-one million dollars (\$21,000,000), 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 the Guarantee Agreement accept all the provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank dated January 31, 1969,³ with the same force and effect as if they were fully set forth herein (said General Conditions Applicable to Loan and Guarantee Agreements of the Bank being hereinafter called the General Conditions).

Section 1.02. Wherever used in the Guarantee Agreement, unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth.

Article II

Section 2.01. Without limitation or restriction upon any of the other covenants on its part in the Guarantee Agreement contained, the Guarantor hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of the principal of, and the interest and other

¹ Came into force on 19 January 1970, upon notification by the Bank to the Government of Ceylon.

² See p. 102 of this volume.

³ See p. 102 of this volume.

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 prior to their maturity and the punctual performance of all the obligations 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 the carrying out of 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; or (ii) any lien arising in the ordinary course of banking transactions and securing 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 political subdivisions or of any agency of the Guarantor or of any such political subdivision, including assets of the Central Bank of Ceylon, or of any other institution performing the functions of a central bank.

Section 3.02. (a) The Guarantor and the Bank shall co-operate fully to assure that the purpose of the Loan will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan. On the part of the Guarantor, such information shall include information with respect to financial and economic conditions in the territories of the Guarantor and the international balance of payments position of the Guarantor.

(b) The Guarantor and the Bank shall from time to time exchange views through their representatives with regard to matters relating to the purposes of

the Loan and the maintenance of the service thereof. The Guarantor shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

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

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

Section 3.05. The Guarantor shall take all such action as may be necessary on its part (including, but without limitation, all necessary authorizations) to enable the Borrower to effect such adjustments in its tariffs as shall be required to comply with the provisions of Section 5.08 of the Loan Agreement.

Section 3.06. At the end of each of the Borrower's fiscal years, the Guarantor shall, in consultation with the Borrower, establish the percentage of the Guarantor's investment in the equity capital of the Borrower (as defined in Section 39 (b) of the Ceylon Electricity Board Act, No. 17, of 1969) to be paid to it as dividend by the Borrower at such level as shall enable the Borrower to comply with the provisions of Section 5.08 of the Loan Agreement.

Article IV

Section 4.01. The Guarantor shall endorse, in accordance with the provisions of the General Conditions, its guarantee on the Bonds to be executed and delivered by the Borrower. The Governor-General of Ceylon and such other person or persons as he may appoint in writing are designated as authorized representatives of the Guarantor for the purposes of Section 8.10 of the General Conditions.

Article V

Section 5.01. The Permanent Secretary of the Ministry of Planning and Economic Affairs of the Guarantor is designated as representative of the Guarantor for the purposes of Section 10.03 of the General Conditions.

Section 5.02. The following addresses are specified for the purposes of Section 10.01 of the General Conditions :

For the Guarantor :

Ministry of Planning and Economic Affairs
Central Bank Building
Colombo 1, Ceylon

Cable address :
Secminplan
Colombo

For the Bank :

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

Cable address :
Intbafrad
Washington, D.C.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused the 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.

Government of Ceylon :
By OLIVER WEERASINGHE
Authorized Representative

International Bank for Reconstruction and Development :
By MOHAMED SHOAIB
Vice President

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

GENERAL CONDITIONS, DATED 31 JANUARY 1969

GENERAL CONDITIONS APPLICABLE TO LOAN AND GUARANTEE AGREEMENTS

[Not published herein. See *United Nations, Treaty Series, vol. 691, p. 300.*]

LOAN AGREEMENT

AGREEMENT, dated July 28, 1969, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and CEYLON ELECTRICITY BOARD, a statutory authority established pursuant to the Ceylon Electricity Board Act, No. 17 of 1969 (hereinafter called the Borrower).

WHEREAS the Borrower has been established to develop and maintain an efficient, co-ordinated and economical system of electricity supply for the whole of Ceylon other than the area of authority of the Anuradhapura Preservation Board;

WHEREAS the Borrower has requested the Bank to assist in the financing of the Second Stage of the Maskeliya Oya Hydroelectric Project and other generating facilities, as described in Schedule 1 to this Agreement;

WHEREAS by a guarantee agreement of even date herewith¹ between the Guarantor and the Bank the Guarantor has agreed *inter alia* to guarantee the performance by the Borrower of its obligations hereinafter set forth; and

WHEREAS the Bank has agreed, on the basis *inter alia* of the foregoing, to make a loan to the Borrower on the terms and conditions hereinafter set forth;

NOW THEREFORE, the parties hereto hereby agree as follows :

Article I

GENERAL CONDITIONS; DEFINITIONS

Section 1.01. The parties to this Agreement accept all the provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank dated January 31, 1969,² with the same force and effect as if they were fully set forth herein (said General Conditions Applicable to Loan and Guarantee Agreements of the Bank being hereinafter called the General Conditions).

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth and the term "construction" as used in Section 2.03 (b) of this Agreement means the period starting on the date of the Loan Agreement and ending on the date

¹ See p. 94 of this volume.

² See above.

specified in Schedule 1 to this Agreement as the expected date of completion of the Project, as such date may be modified from time to time by agreement between the Borrower and the Bank.

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in the Loan Agreement set forth or referred to, an amount in various currencies equivalent to twenty-one million dollars (\$21,000,000).

Section 2.02. (a) 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.

(b) 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 and in accordance with the allocation of the proceeds of the Loan set forth in Schedule 2 to this Agreement, as such allocation shall be modified from time to time pursuant to the provisions of such Schedule or by further agreement between the Bank and the Borrower.

Section 2.03. (a) The Borrower shall be entitled to withdraw from the Loan Account such amounts as shall have been paid (or, if the Bank shall so agree, such amounts as shall be required to meet payments to be made) in respect of the reasonable cost of goods or services required for the Project and to be financed under the Loan Agreement.

(b) The Borrower shall also be entitled to withdraw from the Loan Account such amounts as shall be required to meet payments to be made to the Bank during construction for interest and other charges on the Loan accrued on or before June 14, 1972 or such other date as may be agreed between the Bank and the Borrower.

Section 2.04. It is hereby agreed, pursuant to Section 5.01 of the General Conditions, that withdrawals from the Loan Account under Category V of the allocation of the proceeds of the Loan referred to in Section 2.02 of this Agreement may be made on account of payments made prior to the date of the Loan Agreement but after July 1, 1969.

Section 2.05. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ($\frac{3}{4}$ of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.06. The Borrower shall pay interest at the rate of six and one-half per cent ($6\frac{1}{2}\%$) per annum on the principal amount of the Loan withdrawn and outstanding from time to time.

Section 2.07. Interest and other charges shall be payable semi-annually on June 15 and December 15 in each year.

Section 2.08. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

Article III

USE OF PROCEEDS OF THE LOAN

Section 3.01. The Borrower shall apply the proceeds of the Loan in accordance with the provisions of the Loan Agreement to expenditures on the Project, described in Schedule 1 to this Agreement.

Section 3.02. Except as the Bank shall otherwise agree : (i) the goods and services (other than services of consultants) to be financed out of the proceeds of the Loan shall be procured on the basis of international competitive bidding in accordance with the *Guidelines for Procurement under World Bank Loans and IDA Credits*, published by the Bank in February 1968, and in accordance with such other procedures supplementary thereto as are set forth in Schedule 4 to this Agreement or as shall be agreed between the Bank and the Borrower, and (ii) contracts for the procurement of such goods and services shall be subject to the prior approval of the Bank, except as otherwise provided in such Schedule 4.

Section 3.03. Except as the Bank may otherwise agree, the Borrower shall cause all goods and services 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 VIII of the General Conditions.

Section 4.02. The Borrower shall from time to time, as required, notify the Bank in writing of the person or persons designated by it as its authorized representatives for the purposes of Section 8.10 of the General Conditions.

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 administrative, financial, engineering and public utility practices.

(b) To assist in the carrying out of the Project, the Borrower shall employ competent and experienced engineering consultants and accounting and management consultants acceptable to the Bank, to an extent, and upon terms and conditions, satisfactory to the Bank. Such accounting and management consultants shall be retained by the Borrower not later than February 28, 1970 or such other date as the Bank and the Borrower may agree.

Section 5.02. (a) The Borrower shall furnish or cause to be furnished to the Bank, promptly upon their preparation, the reports, plans, specifications, work and procure-

ment schedules for, or in connection with, the Project, and any material modifications subsequently made therein, in such detail as the Bank shall reasonably request.

(b) The Borrower shall : (i) maintain records adequate to identify the goods and services financed out of the proceeds of the Loan, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of the Borrower; and (ii) enable the Bank's representatives to inspect the Project, the goods financed out of the proceeds of the Loan, all other plants, sites, works, properties, equipment and operations of the Borrower and any relevant records and documents.

(c) 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 and services financed out of such proceeds, the Project, and the administration, operations and financial condition of the Borrower.

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 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 and the maintenance of the service thereof.

(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, the maintenance of the service thereof or the performance by the Borrower of its obligations under the Loan Agreement.

Section 5.04. (a) The Borrower shall at all times maintain its corporate existence and right to carry on its operations, and take all steps necessary to acquire, maintain and renew all rights, powers, privileges and franchises which are necessary or useful in the conduct of its business.

(b) The Borrower shall at all times manage its affairs, plan its future expansion and carry on its operations, all in accordance with sound business, financial and public utility practices, under the supervision of experienced and competent management, and with the assistance of adequate qualified and experienced staff.

(c) The Borrower shall at all times operate and maintain its plants, machinery, equipment and other property, and make all necessary repairs and renewals thereof, in accordance with sound engineering and public utility practices.

(d) Except in the normal course of business, the Borrower shall not sell, lease, transfer or otherwise dispose of any of its property or assets which shall be required for the efficient operation of its business.

(e) The Borrower shall have its financial statements (balance sheet, statement of income and expenditure and other related statements) audited annually by competent and

experienced auditors acceptable to the Bank and shall, promptly after their preparation and not later than four months after the close of the fiscal year to which they apply, transmit to the Bank certified copies of such statements and a signed copy of the auditors' report.

Section 5.05. (a) The Borrower 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 public utility practices.

(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 5.06. 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 the date on which it is originally incurred.

Section 5.07. Except as the Bank shall otherwise agree, the Borrower shall not incur any debt, other than for money borrowed for financing the Project, unless its net revenues for the fiscal year immediately preceding such incurrence or for a later twelve-month period ended prior to such incurrence, whichever is the greater, shall be not less than 1.5 times the maximum debt service requirements for any succeeding fiscal year on all debt including the debt to be incurred. For the purposes of this Section :

(a) The term "debt" means all debt of the Borrower, including debt for the service of which the Borrower is responsible, maturing by its terms more than one year after the date on which it is originally incurred.

(b) Debt shall be deemed to be incurred on the date of execution and delivery of a contract, loan agreement or other instrument providing for such debt.

(c) The term "net revenues" means gross revenues from all sources, adjusted to take account of the Borrower's tariffs in effect at the time of the incurrence of debt even though they were not in effect during the fiscal year or twelve-month period to which such revenues relate, less all expenses of operation and maintenance in connection with the generation, transmission and distribution of electricity, administration, and taxes, if any, but before deduction of provision for depreciation and amortization of assets, interest and other charges on debt.

(d) The term “debt service requirements” means the aggregate amount of amortization (including sinking fund payments, if any) of, and interest and other charges on, debt.

(e) Whenever for the purposes of this Section it shall be necessary to value, in terms of the currency of the Guarantor, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt pursuant to Section 42 (6) of the Ceylon Electricity Board Act, No. 17 of 1969, or, if such other currency is not so obtainable, at the rate of exchange that will be reasonably determined by the Bank in the light of Section 42 (6) of such Act.

Section 5.08. Except as the Bank shall otherwise agree, the Borrower shall take all steps which shall be necessary to provide sufficient revenue :

- (a) to cover, prior to the completion of the valuation study of all the fixed assets of the Borrower provided for in Part V of the Project,
 - (i) operating expenses excluding provision for depreciation,
 - (ii) debt service requirements,
 - (iii) adequate working capital,
 - (iv) a reasonable portion of its capital expenditures,
 - (v) dividends, if any, on the Guarantor's investment in the equity capital of the Borrower, to the extent that the above requirements have been met.
- (b) to produce, upon completion of the valuation study provided for in Part V of the Project, an annual return on the current value of its net fixed assets in service of 8 per cent or such higher return as may be agreed upon between the Guarantor, the Bank and the Borrower in order to meet the requirements outlined in (a) (i) to (v) above.
- (c) For the purposes of this Section :
 - (i) The annual return shall be calculated in respect of each fiscal year by relating net income before interest and other charges on debt for that year to the average of the current value of net fixed assets in service at the beginning and at the end of that year.
 - (ii) The term “current value of net fixed assets” means the gross value of fixed assets, including the value of any intangible assets subject to amortization, as revalued from time to time, less the accumulated amounts in respect of depreciation and amortization of assets, based on appropriate methods of valuation acceptable to the Bank and established with the assistance of the accounting and management consultants referred to in Section 5.01 (b) of this Agreement, and in respect of consumers' contributions or other contributions to capital expenditures, all in accordance with sound accounting principles consistently applied.
 - (iii) The term “net income” means all revenues of the Borrower except income from investments not directly related to its operations, less all operating expenses.

- (iv) The term "operating expenses" means all expenses of operation and maintenance in connection with the generation, transmission and distribution of electricity, and of administration, including adequate provision for depreciation, and for taxes, if any, but excluding provision for interest and other charges on debt.
- (v) The terms "debt" and "debt service requirements" have the meanings respectively set forth in Section 5.07 of this Agreement.
- (vi) The term "reasonable portion of its capital expenditures" means, for the two-year period ending on September 30, 1971, an average of 25% of the Borrower's capital expenditures during such period.
- (vii) The term "investment in equity capital" shall have the meaning set forth in Section 39 (b) of the Ceylon Electricity Board Act, No. 17 of 1969.

Section 5.09. The Borrower shall take all steps necessary to ensure that by September 30, 1970, or by such other date as the Bank may agree, amounts due to the Borrower in respect of electricity supplied for which meters shall have been read, other than amounts disputed pursuant to Section 55 of the Ceylon Electricity Board Act, No. 17, of 1969, if any, shall not exceed the equivalent of the aggregate amount of the three months' billings immediately preceding September 30, 1970.

Section 5.10. 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 5.11. 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 on 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.

Article VI

REMEDIES OF THE BANK

Section 6.01. If any event specified in Section 7.01 of the General Conditions, or in Section 6.02 of this Agreement shall occur and shall continue for the period, if any, therein set forth, then, at any subsequent time during the continuance thereof, the Bank, at its option, may by notice to the Borrower and to the Guarantor declare the principal of the Loan and of all the Bonds then outstanding to be due and payable immediately, together with the interest and other charges thereon, and, upon any such declaration, such principal, interest and other charges shall become due and payable immediately, anything to the contrary in the Loan Agreement or in the Bonds notwithstanding.

Section 6.02. For the purposes of Section 7.01. of the General Conditions, the following additional event is specified, namely, that the Ceylon Electricity Board Act, No. 17 of 1969, or any other legislation or regulation of the Guarantor governing the establishment, organization, powers, financial structure and operations of the Borrower shall have been materially amended, suspended, abrogated, repealed, or waived, or shall cease to be enforced, so as to materially affect the operations of the Borrower, without the prior approval of the Bank, and such event shall continue for a period of sixty days.

Article VII

EFFECTIVE DATE; TERMINATION

Section 7.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 11.01 (c) of the General Conditions :

(a) The Order of the Guarantor's Minister of Land, Irrigation and Power under Section 18 of the Ceylon Electricity Board Act, No. 17, of 1969, relating to the transfer to, and the vesting in, the Borrower of all movable or immovable property of the Guarantor required for the purposes of the Borrower, and of all rights, obligations and liabilities relating to or connected with the Government Electrical Undertakings shall have been published in the *Ceylon Government Gazette* and shall have come into force.

(b) Bills in respect of electricity supplied by the Borrower or its predecessor shall have been sent within 45 days of meter-reading.

(c) The aggregate amount of the Borrower's accounts receivable in respect of bills for electricity supplied to local authorities on or before February 15, 1969, shall have been reduced by not less than 8,000,000 Ceylon Rupees as compared to the corresponding amount of accounts receivable in respect of such bills as of June 10, 1969.

(d) The engineering consultants referred to in Section 5.01 (b) of this Agreement shall have been retained.

(e) The Borrower shall have certified in writing to the Bank that, as of a date to be agreed between the Bank and the Borrower (which shall be prior to the date set forth in Section 7.02 of this Agreement) there has been no material adverse change in its condition since the date of the Loan Agreement.

Section 7.02. The date November 28, 1969 is hereby specified for the purposes of Section 11.04 of the General Conditions.

Article VIII

MISCELLANEOUS

Section 8.01. The Closing Date shall be September 30, 1973 or such other date as shall be agreed between the Bank and the Borrower.

Section 8.02. The Chairman of the Borrower is designated as representative of the Borrower for the purposes of Section 10.03 of the General Conditions.

Section 8.03. The following addresses are specified for the purposes of Section 10.01 of the General Conditions :

For the Bank :

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

Cable address :

Intbafrad
Washington, D.C.

For the Borrower :

Ceylon Electricity Board
Sir Chittampalam Gardiner Mawatha
Colombo 1, Ceylon

Cable address :

Kilowatts
Colombo

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused the 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 MOHAMED SHOAIB
Vice President

Ceylon Electricity Board :

By NANDA W. ATUKORALA
Authorized Representative

SCHEDULE 1

DESCRIPTION OF THE PROJECT

The Project includes the second stage development of the Maskeliya Oya and an extension to the Grandpass thermal station, and consists of the following parts :

- I. A hydroelectric power station of 90 MW capacity to be constructed on the Maskeliya Oya at New Laksapana, a concrete diversion dam at Canyon, a tunnel (about 18,500 feet long), twin penstocks (each about 6,200 feet long), and related facilities.
- II. Construction of transmission and substation facilities to connect the hydroelectric power station referred to in Part I of the Project to the existing transmission network.

- III. Construction of a 132 kv switching/receiving station at Eriyagama and related facilities.
- IV. Procurement and installation of a 25 MW gas turbine unit at Grandpass, Colombo and related facilities.
- V. The setting up of the Borrower's organization to enable its management to conduct the Borrower's affairs on the basis of sound business, financial and public utility practices, the establishment along commercial lines of an effective accounting system for the Borrower, and a valuation study of all the fixed assets of the Borrower, including the compilation of asset and depreciation records and the definition of an appropriate depreciation policy, such study to be completed within eighteen months of the date of the Loan Agreement, or by such other date as the Bank and the Borrower may agree.

The Project is expected to be completed by September 30, 1972.

SCHEDULE 2

ALLOCATION OF THE PROCEEDS OF THE LOAN

<i>Category</i>	<i>Amounts Expressed in Dollar Equivalent</i>
I. General civil works	5,200,000
II. Penstocks	3,400,000
III. Generating plant and ancillary equipment	
(a) hydroelectric plant	3,100,000
(b) gas turbine plant	2,900,000
IV. Transformers, switchgear and equipment for transmission lines and substations, and control equipment	1,200,000
V. Engineering and accounting and management consultants' services	1,400,000
VI. Interest and other charges on the Loan	2,800,000
VII. Unallocated	1,000,000
TOTAL	21,000,000

REALLOCATION UPON CHANGE IN COST ESTIMATES

1. If the estimate of the cost of the items included in any of the Categories I through VI shall decrease, the amount of the Loan then allocated to, and no longer required for such Category will be reallocated by the Bank to Category VII.

2. If the estimate of the cost of the items included in any of the Categories I through VI shall increase, an amount equal to the portion, if any, of such increase to be financed out of the proceeds of the Loan will be allocated by the Bank, at the request of the Bor-

rower, to such Category from Category VII, subject, however, to the requirements for contingencies, as determined by the Bank, in respect of the cost of the items in the other Categories.

SCHEDULE 3 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 15, 1974	250,000	December 15, 1984	495,000
December 15, 1974	260,000	June 15, 1985	510,000
June 15, 1975	270,000	December 15, 1985	525,000
December 15, 1975	275,000	June 15, 1986	540,000
June 15, 1976	285,000	December 15, 1986	560,000
December 15, 1976	295,000	June 15, 1987	580,000
June 15, 1977	305,000	December 15, 1987	595,000
December 15, 1977	315,000	June 15, 1988	615,000
June 15, 1978	325,000	December 15, 1988	635,000
December 15, 1978	335,000	June 15, 1989	655,000
June 15, 1979	345,000	December 15, 1989	680,000
December 15, 1979	360,000	June 15, 1990	700,000
June 15, 1980	370,000	December 15, 1990	725,000
December 15, 1980	380,000	June 15, 1991	745,000
June 15, 1981	395,000	December 15, 1991	770,000
December 15, 1981	405,000	June 15, 1992	795,000
June 15, 1982	420,000	December 15, 1992	820,000
December 15, 1982	435,000	June 15, 1993	850,000
June 15, 1983	450,000	December 15, 1993	875,000
December 15, 1983	460,000	June 15, 1994	920,000
June 15, 1984	475,000		

* To the extent that any part of the Loan is repayable in a currency other than dollars (see General Conditions, Section 4.02), 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 portion of the principal amount of the Loan pursuant to Section 3.05 (b) of the General Conditions or on the redemption of any Bond prior to its maturity pursuant to Section 8.15 of the General Conditions :

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than three years before maturity	1 1/2 %
More than three years but not more than six years before maturity	1 3/4 %
More than six years but not more than eleven years before maturity	2 1/4 %
More than eleven years but not more than sixteen before maturity	3 3/4 %
More than sixteen years but not more than twenty-one years before maturity	5 %
More than twenty-one years but not more than twenty-three years before maturity	6 %
More than twenty-three years before maturity	6 1/2 %

SCHEDULE 4

PROCUREMENT

1. With respect to goods in Categories I, II, III, and IV of the allocation of the proceeds of the Loan referred to in Section 2.02 of this Agreement, required to be procured on the basis of international competitive bidding pursuant to Section 3.02 of this Agreement, items to be procured shall be grouped together wherever practicable for the purposes of bidding and procurement, and such grouping of items shall be subject to the approval of the Bank.

2. With respect to all contracts or letters of intent for civil works included in Category I of the allocation of the proceeds of the Loan referred to in Section 2.02 of this Agreement and involving expenditures expected to exceed the equivalent of \$100,000, and to all contracts or letters of intent for the purchase of machinery, equipment or materials included in any of the Categories II, III or IV of such allocation of the proceeds of the Loan and involving expenditures expected to exceed the equivalent of \$50,000, the following procedures shall be followed :

- (a) Invitations to bid, specifications, the proposed terms and conditions of contracts, and all other tender documents, together with a description of the advertising procedures to be followed, will be submitted to the Bank for review and approval prior to the issuance of invitations to bid.
- (b) After bids have been received and analyzed, the analyses of bids and the recommendations thereon of the Borrower and of the consultants, as well as the Borrower's proposals for awards, will be furnished to the Bank for review and approval prior to making any award of contract or issuing any letter of intent.
- (c) For the purpose of awarding contracts for the purchase of machinery, equipment or materials, bids will be compared on the basis of an aggregate price composed of the c.i.f. Colombo price, all payable import duties and similar taxes, and, where applicable, the cost of transit to site and charges for erection and commissioning.
- (d) If the final contract or letter of intent is to differ substantially from the terms and conditions contained in the respective documents approved by the Bank under paragraphs (a) and (b) above, the text of the proposed changes will be submitted to the Bank for review and approval prior to the execution of such contract or issuance of such letter of intent.
- (e) One conformed copy of any letter of intent issued and of any contract executed under this paragraph 2 shall be sent to the Bank promptly upon its issuance or execution.

3. With respect to all contracts or letters of intent for civil works included in Category I of the allocation of the proceeds of the Loan referred to in Section 2.02 of this Agreement and involving expenditures expected to cost the equivalent of \$100,000 or less, and to all contracts or letters of intent for the purchase of machinery, equipment or materials included in any of the Categories II, III or IV of such allocation of the proceeds of the Loan and involving expenditures expected to cost the equivalent of \$50,000 or less, copies of the invitations to bid, bid analyses and evaluations, as well as any other tender docu-

ments or relevant information requested by the Bank, and one conformed copy of any such contract or letter of intent, shall be sent to the Bank promptly after the execution of any such contract or issuance of any such letter of intent and prior to the submission to the Bank of the first application for withdrawal of funds from the Loan Account in respect of any such contract or letter of intent.

4. With respect to items or groups of items in Categories II, III or IV of such allocation of the proceeds of the Loan for which the grouping referred to in paragraph 1 above is not practicable and the value of which is small, international competitive bidding may be dispensed with, provided that the Borrower shall send to the Bank for its approval details of the proposed procurement procedure as well as periodic lists of such items indicating the expected price of such goods and the intended suppliers thereof.
