No. 5978

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT and CEYLON

Loan Agreement—*Norton Bridge Hydro and Second Grandpass Thermal Power Project* (with annexed Loan Regulations No. 3). Signed at Washington, on 6 June 1961

Official text: English.

Registered by the International Bank for Reconstruction and Development on 28 November 1961.

BANQUE INTERNATIONALE POUR LA RECONSTRUCTION ET LE DÉVELOPPEMENT et CEYLAN

Contrat d'emprunt — *Projet de construction d'une centrale hydraulique à Norton Bridge et d'une deuxième centrale thermique à Grandpass* (avec, en annexe, le Règlement n° 3 sur les emprunts). Signé à Washington, le 6 juin 1961

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 28 novembre 1961.

No. 5978. LOAN AGREEMENT[1] (*NORTON BRIDGE HYDRO AND SECOND GRANDPASS THERMAL POWER PROJECT*) BETWEEN THE GOVERNMENT OF CEYLON AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 6 JUNE 1961

AGREEMENT, dated June 6, 1961 between GOVERNMENT OF CEYLON (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS by a Loan Agreement dated July 9, 1954,[2] between the Borrower and the Bank (hereinafter called the First Loan Agreement), and by a Loan Agreement dated September 17, 1958,[3] between the Borrower and the Bank (hereinafter called the Second Loan Agreement), the Bank made two loans to the Borrower for the purpose of financing the foreign exchange costs of projects forming part of an electric power scheme in Ceylon ;

WHEREAS the Borrower has requested the Bank to assist in financing a further part of such scheme ; and

WHEREAS the Borrower intends to cause to be established a Ceylon Electricity Board (hereinafter called the Board) which will exercise and perform functions relating to the development and co-ordination of the generation, distribution and supply of electricity ;

NOW THEREFORE, the parties hereto 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. 3 of the Bank dated February 15, 1961,[4] subject however, to the modifications thereof set forth in this Agreement (said Loan Regulations No. 3

[1] Came into force on 29 September 1961, upon notification by the Bank to the Government of Ceylon.
[2] United Nations, *Treaty Series*, Vol. 198, p. 313.
[3] United Nations, *Treaty Series*, Vol. 323, p. 51.
[4] See p. 368 of this volume.

as so modified being hereinafter called the Loan Regulations) with the same force and effect as if they were fully set forth herein.

Section 1.02. For the purposes of this Agreement, wherever the context so permits, the term "Borrower" shall be deemed to include Ceylon.

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 fifteen million dollars ($15,000,000).

Section 2.02. The Bank shall open a Loan Account on its books in the name of the Borrower and shall credit to such Account the amount of the Loan. The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, the Loan Regulations ; provided, however, that before the first withdrawal shall be made from the Loan Account, the Borrower shall furnish to the Bank a certificate of a competent authority that the debt limitation provided in the Ceylon Development Loans Act, No. 6 of 1954, as amended, has not been exceeded.

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 so withdrawn from time to time.

Section 2.04. The Borrower shall pay interest at the rate of five and three-fourths per cent (5 3/4 %) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

Section 2.05. 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 per cent (1/2 of 1 %) per annum on the principal amount of any such special commitments outstanding from time to time.

Section 2.06. Interest and other charges shall be payable semi-annually on May 15 and November 15 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 [1] to this Agreement.

[1] See p. 364 of this volume.

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 described in Schedule 2[1] to this Agreement. The specific goods to be financed out of the proceeds of the Loan and the methods and procedures for procurement of such goods shall be determined by agreement between the Borrower and the Bank, 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 in the territories of the Borrower 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 Governor-General of the Island of Ceylon 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 of the Loan Regulations.

Article V

PARTICULAR COVENANTS

Section 5.01. (*a*) The Borrower shall cause the Project to be carried out and its electricity undertakings to be managed and operated with due diligence and efficiency in conformity with sound engineering and financial practices and in accordance with sound public utility and business practices.

(*b*) Except as shall be otherwise agreed between the Borrower and the Bank in respect of any part of the Project, the Borrower shall employ or cause to be employed qualified and competent engineering consultants and contractors for the carrying out of the Project ; the terms of reference of such consultants shall be determined in consultation with the Bank.

(*c*) The Borrower shall cause to be furnished to the Bank, promptly upon their preparation, the plans and specifications for the Project and any material modifica-

[1] See p. 366 of this volume.

tions subsequently made therein, in such details as the Bank shall from time to time request.

(*d*) The Borrower shall maintain or cause to be maintained 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) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of the agency responsible for the construction or operation of the Project or any part thereof ; shall enable the Bank's representatives to inspect the Project, the goods, the properties, equipment and operations of the agency or Board responsible for the construction or operation of the Project, or any part thereof, and any relevant records and documents ; and shall furnish the Bank or cause the Bank to be furnished all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the Project, the goods and the operations and financial condition of the agency responsible for the construction or operation of the Project or any part thereof.

Section 5.02. (*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 it shall reasonably request 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 and 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 or cause the Bank to be informed 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 5.03. It is the mutual intention of the Borrower 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 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 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