

No. 6462

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

**Guarantee Agreement—*Volta Project* (with related letter,
annexed Loan Regulations No. 4 and Loan Agreement
between the Bank and Volta River Authority). Signed
at Washington, on 8 February 1962**

Official text: English.

*Registered by the International Bank for Reconstruction and Development on
27 December 1962.*

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

**Contrat de garantie—*Projet de la Volta* (avec lettre connexe
et, en annexe, le Règlement n° 4 sur les emprunts et le
Contrat d'emprunt entre la Banque et la Volta River
Authority). Signé à Washington, le 8 février 1962**

Texte officiel anglais.

*Enregistré par la Banque internationale pour la reconstruction et le développement le
27 décembre 1962.*

No. 6462. GUARANTEE AGREEMENT¹ (*VOLTA PROJECT*)
BETWEEN THE REPUBLIC OF GHANA AND THE
INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT. SIGNED AT WASHINGTON, ON
8 FEBRUARY 1962

AGREEMENT, dated February 8, 1962 between REPUBLIC OF GHANA (hereinafter called the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS by an agreement of even date herewith between the Bank and Volta River Authority (hereinafter called the Borrower), which agreement and the schedules therein referred to are hereinafter called the Loan Agreement,² the Bank has agreed to make to the Borrower a loan in various currencies equivalent to forty-seven million dollars (\$47,000,000) on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agree to guarantee the obligations of the Borrower in respect of such loan as hereinafter provided ; and

WHEREAS the Guarantor, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed so to guarantee such obligations of the Borrower ;

NOW THEREFORE the parties hereto hereby agree as follows :

Article I

Section 1.01. The parties to this Guarantee Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated February 15, 1961,³ subject, however, to the modifications thereof set forth in Schedule 3⁴ to the Loan Agreement (said Loan Regulations No. 4 as so modified being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein. The terms defined in Section 1.02 of the Loan Agreement shall have the same meaning herein as if such Section were fully set forth herein.

¹ Came into force on 8 February 1962, upon notification by the Bank to the Government of Ghana.

² See p. 220 of this volume.

³ See p. 218 of this volume.

See p. 242 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, the premium, if any, on the prepayment of the Loan or the redemption of the Bonds, and the punctual performance of all the covenants and agreements of the Borrower, all as set forth in the Loan Agreement and in the Bonds.

Section 2.02. Without limitation or restriction upon the provisions of Section 2.01 of this Agreement, the Guarantor specifically undertakes, whenever there is reasonable cause to believe that the funds available to the Borrower (including the funds specified in Section 23 (1) and (2) of the Volta River Development Act, 1961) will be inadequate to meet the estimated expenditures required for carrying out the Project, promptly to make arrangements, satisfactory to the Bank, to provide the Borrower or cause the Borrower to be provided with such funds as and when 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; (ii) 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 (iii) 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, without limitation, the Bank of Ghana and the Ghana Commercial Bank.

Section 3.02 (a) The Guarantor and the Bank shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, each of them shall

furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan. On the part of the Guarantor, such information shall include information with respect to financial and economic conditions in the territories of the Guarantor and the international balance of payments position of the Guarantor.

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

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

Section 3.03. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid without deduction for, and free from, any taxes imposed under the laws of the Guarantor or laws in effect in its territories ; provided, however, that the provisions of this Section shall not apply to taxation of payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Guarantor.

Section 3.04. This Guarantee Agreement, the Loan Agreement and the Bonds shall be free from any taxes that shall be imposed under the laws of the Guarantor or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof.

Section 3.05. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid free from all restrictions imposed under the laws of the Guarantor or laws in effect in its territories.

Section 3.06. (a) Except as the Bank shall otherwise agree, the Guarantor shall, to the extent that it has an interest therein and is obligated or entitled to do so, take all action necessary to maintain in full force and effect, and secure the prompt and diligent performance by the parties thereto of, the Scheduled Documents.

(b) The Guarantor and the Bank shall exchange views as to any arbitration or any proceeding before the Referee or Engineer Referee contemplated or undertaken pursuant to any of the Scheduled Documents in which the Guarantor has an interest. The Guarantor shall promptly advise the Bank of any such arbitration or other proceeding contemplated or undertaken and shall give the Bank such information as the Bank shall reasonably request to enable the Bank if it so desires to make its views thereon known to the Guarantor and in any such arbitration or other proceeding.

Section 3.07. The Guarantor shall take or cause to be taken all such action as shall be required to reorganize, and shall reorganize, the Electricity Division of the Ministry of Works and Housing as a statutory corporation operating efficiently as a public utility on a sound commercial basis. Such action shall be taken, after consultation with the Bank, as promptly as practicable, and, in any event, no later than the date when the Authority shall have started to sell power.

Section 3.08. The Guarantor, except as the Bank shall otherwise agree : (a) shall not undertake or assist in the financing of an additional major power project in its territories unless (i) such project would not prevent or materially interfere with the successful construction and operation of the Project and (ii) there is adequate economic justification for such project, taking into account not only the said project standing by itself but also the effect of such project on the obligations assumed by the Guarantor and the Borrower in connection with the Project ; and (b) shall consult with the Bank before it undertakes or assists in the financing of a major power project in its territories.

Section 3.09. The Guarantor shall not, without the prior approval of the Bank, (a) agree to any amendment of the agreement between the Guarantor and the Export-Import Bank of Washington relating to the guarantee under certain circumstances of the loan to be made pursuant to the Exim-Valco Loan Agreement, or (b) take or permit any action to be taken which shall lead to the occurrence of an Event of Guarantee under such agreement between the Guarantor and the Export-Import Bank of Washington.

Article IV

Section 4.01. The Guarantor shall endorse, in accordance with the provisions of the Loan Regulations, its guarantee on the Bonds to be executed and delivered by the Borrower. The Minister of Finance of the Guarantor and such person or persons as he shall designate in writing are designated as the authorized representatives of the Guarantor for the purposes of Section 6.12 (b) of the Loan Regulations.

Article V

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

For the Guarantor :

Secretary to the Cabinet
Office of the President
Accra, Ghana