
LOAN NO. 58 SR

Guarantee Agreement

(Southern Rhodesia - Electric Power Project)

BETWEEN

UNITED KINGDOM OF GREAT BRITAIN
AND NORTHERN IRELAND

AND

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

DATED FEBRUARY 27, 1952

Guarantee Agreement

AGREEMENT, dated February 27, 1952, between UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND (hereinafter called the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS by an agreement of even date herewith between the Colony of Southern Rhodesia (hereinafter called the Borrower) and the Bank, 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 the aggregate principal amount of twenty-eight million dollars (\$28,000,000), or the equivalent in other currencies, on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agree to guarantee such loan as hereinafter provided; and

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

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 December 6, 1950, subject, however, to the modifications thereof set forth in Schedule 3 to the Loan Agreement (such Loan Regulations No. 4 as so modified being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

SECTION 1.02. The term "Plan" means the Second Four-Year Plan of Capital Development of the Borrower described in Part 1 of Schedule 2 to the Loan Agreement.

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 hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of the principal of, and the interest and other charges on, the Loan, the principal of and interest on the Bonds, and the premium, if any, on the prepayment of the Loan or the redemption of the Bonds, all as provided in the Loan Agreement and the Bonds.

SECTION 2.02. Whenever there is reasonable cause to believe that the funds available to the Borrower will fall short of the funds required for the execution of the Plan and the Project described in Schedule 2 to the Loan Agreement, the Guarantor will permit the Borrower to borrow in the markets of the Guarantor the amount of such shortfall, it being understood that in considering the precise timing of such borrowings the Guarantor will have regard to the importance of maintaining orderly market conditions.

ARTICLE III

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

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

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

SECTION 3.02. (a) The Guarantor and the Bank will cooperate to the fullest possible extent in order to assure that the purposes of the Loan shall be accomplished. To that end, each of them shall from time to time furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan. The Guarantor and the Bank will from time to time and as often as the circumstances shall require exchange views through their accredited representatives with regard to matters relating to the purposes of the Loan, the maintenance of the service thereof and the Bonds, and the Guarantor will afford all reasonable opportunity for accredited representatives of the Bank to visit freely any part of the metropolitan territory of the Guarantor or of the territory of the Borrower.

(b) The Guarantor will promptly inform the Bank of any condition which shall arise that shall prevent, obstruct or

interfere with, or threaten to prevent, obstruct or interfere with, the accomplishment of the purpose of the Loan or the maintenance of the service of the Loan.

SECTION 3.03. The Guarantor covenants that the principal of, and interest and other charges on, the Loan and the Bonds will be paid without deduction for and free of any taxes, imposts, fees or duties of any nature now or at any time hereafter imposed by the Guarantor or by any taxing authority thereof or therein and will be paid free from all restrictions of the Guarantor or its local authorities or its dependent overseas territories. This Section shall not apply to taxation of payments made under the provisions of 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 Guarantor covenants that this Guarantee Agreement, the Loan Agreement and the Bonds shall be free of any issue, stamp or other tax imposed by the Guarantor or any taxing authority thereof or therein.

ARTICLE IV

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

ARTICLE V

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

For the Guarantor:

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

For the Bank:

International Bank for Reconstruction
and Development
1818 H Street, N. W.
Washington 25, D. C.
United States of America

SECTION 5.02. The Ambassador of the Guarantor to the United States 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.

UNITED KINGDOM OF GREAT BRITAIN AND
NORTHERN IRELAND

by D. H. F. RICKETT
Authorized Representative

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

by W. A. B. ILIFF
Assistant to the President