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OFFICIAL  
DOCUMENTS

LOAN NUMBER 2209 BT

# Loan Agreement

(Power Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

and

BOTSWANA POWER CORPORATION

Dated *January 7*, 1983

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**LOAN AGREEMENT**

AGREEMENT, dated *January 7*, 1983, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and BOTSWANA POWER CORPORATION (hereinafter called the Borrower).

WHEREAS (A) the Borrower has requested the Bank to assist in the financing of part of the Project, described in Schedule 2 to this Agreement by making the Loan as hereinafter provided;

(B) the Guarantor intends to contract from African Development Bank (hereinafter called ADB) a loan (hereinafter called the ADB Loan) in an amount equivalent to 20 million Units of Account of ADB to assist in financing part of the Project on the terms and conditions set forth in an agreement (hereinafter called the ADB Loan Agreement) to be entered into between the Guarantor and ADB;

(C) the Guarantor intends to contract from Arab Bank for Economic Development in Africa (hereinafter called BADEA) a loan (hereinafter called the BADEA Loan) in an amount of 10 million dollars to assist in financing part of the Project on the terms and conditions set forth in an agreement (hereinafter called the BADEA Loan Agreement) to be entered into between the Guarantor and BADEA;

(D) the Borrower intends to contract from Commonwealth Development Corporation (hereinafter called CDC) a loan (hereinafter called the CDC Loan) in an amount equivalent to \$12.5 million to assist in financing part of the Project on the terms and conditions set forth in an agreement (hereinafter called the CDC Loan Agreement) to be entered into between the Borrower and CDC;

(E) the Borrower intends to contract from European Investment Bank (hereinafter called EIB) a loan (hereinafter called the EIB Loan) in an amount of 15 million ECU to assist in financing part of the Project on the terms and conditions set forth in an agreement (hereinafter called the EIB Loan Agreement) to be entered into between the Borrower and EIB;

(F) the Guarantor intends to contract from Kuwait Fund for Economic and Social Development (hereinafter called KF) a loan (hereinafter called the KF Loan) in an amount of 2.9 million

Kuwait Dinars to assist in financing part of the Project on the terms and conditions set forth in an agreement (hereinafter called the KF Loan Agreement) to be entered into between the Guarantor and KF;

(G) the Guarantor intends to contract from Saudi Fund for Economic Development (hereinafter called SF) a loan (hereinafter called the SF Loan) in an amount of 34.4 million Saudi Riyals to assist in financing part of the Project on the terms and conditions set forth in an agreement (hereinafter called the SF Loan Agreement) to be entered into between the Guarantor and SF;

(H) the Borrower intends to contract from the Guarantor a loan (hereinafter called the Guarantor Loan) in an amount equivalent to 59.6 million dollars to assist in financing part of the Project on the terms and conditions set forth in an agreement (hereinafter called the Guarantor Agreement) to be entered into between the Guarantor and the Borrower; and

(I) the Borrower intends to obtain additional financing, including export credit financing for equipment, in an estimated aggregate amount equivalent to 35 million dollars; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to make the Loan to the Borrower upon 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 October 27, 1980, 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 and in the Preamble to this Agreement have the

respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Fiscal Year" means the Borrower's fiscal year starting on April 1 and ending on March 31; and

(b) "Puia" means the currency of the Guarantor.

## 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 thirty-two million five hundred thousand dollars (\$32,500,000).

Section 2.02. The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and the Bank, for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan.

Section 2.03. Except as the Bank shall otherwise agree, procurement of the goods and civil works required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

Section 2.04. The Closing Date shall be June 30, 1987 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower and the Guarantor of such later date.

Section 2.05. Not later than the Effective Date, the Borrower shall pay to the Bank a fee equivalent to four hundred eighty thousand two hundred ninety-six dollars (\$480,296). The fee shall be payable in such currency or currencies as the Bank shall specify. In the event that the Bank shall not have received full payment of the fee by the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount required for the full payment of the fee in the currency or currencies specified for the purpose.

Section 2.06. 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.

Section 2.07. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time at a rate per annum for each Interest Period equal to one-half per cent per annum above the Cost of Qualified Borrowings for the last Semester ending prior to the commencement of such Interest Period.

(b) For purposes of this Section:

- (i) "Interest Period" means the six-month period commencing on each date specified in Section 2.08 of this Agreement, including the Interest Period in which this Agreement is signed.
- (ii) "Cost" of Qualified Borrowings means the cost, expressed as a percentage per annum, as reasonably determined by the Bank, provided that the amount of \$8,520.5 million referred to in (iii) (B) hereunder shall be reckoned at a cost of 10.93% per annum.
- (iii) "Qualified Borrowings" means (A) outstanding borrowings of the Bank drawn down after June 30, 1982; and (B) until July 1, 1985, the amount of \$8,520.5 million (representing borrowings of the Bank between July 1, 1981 and June 30, 1982) less any part thereof repaid earlier than July 1, 1985.
- (iv) "Semester" means the first six months or the second six months of a calendar year.

(c) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower of the Cost of Qualified Borrowings for such Semester.

(d) Notwithstanding paragraph (a) of this Section, the interest rate for all Interest Periods commencing in 1982 shall be 11.43% per annum.

Section 2.08. Interest and other charges shall be payable semi-annually on April 1 and October 1 in each year.

Section 2.09. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

### ARTICLE III

#### Execution of the Project

Section 3.01. The Borrower shall carry out Parts A through E of the Project with due diligence and efficiency and in conformity with appropriate financial, engineering and public utilities practices.

Section 3.02. In order to assist the Borrower in carrying out Parts A, B and C of the Project, the Borrower shall employ engineering consultants whose qualifications and experience shall be satisfactory to the Bank.

Section 3.03. (a) The Borrower undertakes to insure, or make adequate provision for the insurance of, the imported goods to be financed out of the proceeds of the Loan for the carrying out of Parts A through C of the Project against hazards incident to the 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.

(b) The Borrower shall cause all goods and services financed out of the proceeds of the Loan to be used exclusively for the purposes of the Project.

Section 3.04. (a) The Borrower shall furnish to the Bank, promptly upon their preparation, the plans, specifications, reports, contract documents and construction and procurement schedules for Parts A through E of the Project, and any material modifications thereof or additions thereto, in such detail as the Bank shall reasonably request.

(b) The Borrower: (i) shall maintain records and procedures adequate to record and monitor the progress of Parts A through E of the Project (including their cost and the benefits to be derived from them), to identify the goods and services financed

out of the proceeds of the Loan, and to disclose their use in Parts A through E of the Project; (ii) shall enable the Bank's representatives to visit the facilities and construction sites included in Parts A through E of the Project and to examine the goods financed out of the proceeds of the Loan and any relevant records and documents; and (iii) shall furnish to the Bank at regular intervals all such information as the Bank shall reasonably request concerning Parts A through E of the Project, their cost and, where appropriate, the benefits to be derived from them, the expenditure of the proceeds of the Loan and the goods and services financed out of the proceeds.

(c) Upon the award by the Borrower of any contract for goods, works or services to be financed out of the proceeds of the Loan, the Bank may publish a description thereof, the name and nationality of the party to whom the contract was awarded and the contract price.

(d) The Borrower shall enable the Bank's representatives to examine all plants, installations, sites, works, buildings, property and equipment of the Borrower and any relevant records and documents.

(e) Promptly after completion of the Project, but in any event not later than six months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, the Borrower shall prepare and furnish to the Bank a report, of such scope and in such detail as the Bank shall reasonably request, on the execution and initial operation of the Project, its cost and the benefits derived and to be derived from it, the performance by the Guarantor, the Borrower and the Bank of their respective obligations under the Guarantee Agreement and the Loan Agreement and the accomplishment of the purposes of the Loan.

Section 3.05. The Borrower shall take all such action as shall be necessary to acquire as and when needed all such land and rights in respect of land as shall be required for carrying out the Project and for the operation of the facilities included in the Project and shall furnish to the Bank, promptly after such acquisition, evidence satisfactory to the Bank that such land and rights in respect of land are available for purposes related to the Project.

Section 3.06. By June 30, 1983, the Borrower shall prepare and furnish to the Bank for its approval a training program to be carried out under Part E of the Project.

Section 3.07. By December 31, 1983, the Borrower shall furnish to, and exchange views with, the Bank on the recommendations of the studies carried out under Parts D.1 and D.2 of the Project and shall take all such actions as shall be appropriate based on such recommendations and taking into account any comments of the Bank.

#### **ARTICLE IV**

##### **Management and Operations of the Borrower**

Section 4.01. The Borrower shall carry on its operations and conduct its affairs in accordance with sound administrative, financial and public utilities practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 4.02. The Borrower shall at all times operate and maintain its plants, machinery, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial, administrative and public utilities practices.

Section 4.03. 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 amounts as shall be consistent with appropriate practice.

Section 4.04. Before making any future appointment to the position of Chief Executive Officer, the Borrower shall consult the Bank with respect to the qualifications and experience of the individual to be appointed to such position.

#### **ARTICLE V**

##### **Financial Covenants**

Section 5.01. The Borrower shall maintain accounts and records adequate to reflect in accordance with consistently maintained appropriate accounting practices its operations and financial condition.



Section 5.02. The Borrower shall: (i) have all its accounts referred to in Section 5.01 of this Agreement and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank; (ii) furnish to the Bank as soon as available, but in any case not later than five months after the end of each such year, (A) certified copies of its financial statements for such year as so audited and (B) the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and (iii) furnish to the Bank such other information concerning the accounts and financial statements of the Borrower and the audit thereof as the Bank shall from time to time reasonably request.

Section 5.03. (a) The Borrower represents that at the date of this Agreement no lien exists on any of its assets as security for any debt.

(b) 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 in the creation of any such lien express provisions will be made to that effect, at no cost to the Bank: (i) if the Borrower shall create any lien on any of its assets as security for any debt, such lien will equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan, and in the creation of any such lien express provision will be made to that effect, at no cost to the Bank provided, however, that the foregoing provisions of this paragraph shall not apply to: (A) 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 as security for the payment of debt incurred for the purpose of financing the purchase of such property; or (B) 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 5.04. Except as the Bank shall otherwise agree:

(a) The Borrower, from time to time, shall take or cause to be taken, all such measures (including, without limitation, adjustments of the structure or levels of its electricity

tariffs) as shall be required: (i) to yield, in Fiscal Year 1984 and in each of the Fiscal Years thereafter, an annual return of not less than 8% of the average current net value of the Borrower's fixed assets in operation; and (ii) to generate for the Fiscal Years 1982 through 1987 funds from internal sources equivalent to not less than 20% of its aggregate capital expenditures incurred, or expected to be incurred, during the Fiscal Years 1982 through 1987.

(b) Before December 31 in each of the Fiscal Years, the Borrower shall, on the basis of forecasts prepared by the Borrower and satisfactory to the Bank, review the adequacy of its tariffs to yield the annual return required under paragraph (a) (i) of this Section in respect of such Fiscal Year and the next following Fiscal Year and shall furnish to the Bank the results of such review upon its completion.

(c) If any such review shall show that the Borrower would not earn the annual return required under paragraph (a) (i) in the course of the Fiscal Year covered by such review, the Borrower shall promptly take all the necessary measures (including, without limitation, adjustments of the structure or levels of its tariffs) in order to meet the requirements set forth in paragraph (a) (i) of this Section.

(d) Before December 31 in each of the Fiscal Years, the Borrower shall, on the basis of forecasts prepared by the Borrower and satisfactory to the Bank, review the adequacy of its tariffs to meet the requirement set forth in paragraph (a) (ii) of this Section in respect of the time period specified therein and shall furnish to the Bank a copy of such review upon its completion. The Borrower shall promptly take all necessary measures (including, without limitation, adjustment of the structure or levels of its tariffs) in order to meet the requirements set forth in paragraph (a) (ii) of this Section.

(e) For the purposes of this Section:

(i) The annual return shall be calculated by dividing the Borrower's net operating income for the fiscal year in question by one-half of the sum of the current net value of the Borrower's fixed assets in operation at the beginning and at the end of that Fiscal Year.

- (ii) The term "net operating income" means gross revenues from all sources related to the Borrower's power generating operations less all expenses, related to the Borrower's power generating operations, including administration, adequate maintenance and taxes or any payments in lieu of taxes, and provision for depreciation on a straight-line basis at a rate of not less than 4% per annum of the average current gross value of the Borrower's fixed assets in operation. Interest and other charges on debt shall not be deducted from gross revenues.
- (iii) The term "current net value of the Borrower's fixed assets in operation" means the gross value of the Borrower's fixed assets in operation less the amount of accumulated depreciation, as valued from time to time in accordance with sound and consistently maintained methods of valuation satisfactory to the Bank.
- (iv) Any shortfall or overrun in an annual return earned over the next preceding Fiscal Year as measured against the requirement specified for such year by paragraph (a) (i) shall be carried forward and shall be respectively subtracted from or added to the net operating income for the Fiscal Year in respect of which the calculation is made.
- (v) the term "funds from internal sources" means the difference between:
  - (1) the sum of gross revenues from all sources related to power generating operations, net non-operating income and any reduction in non-cash working capital; and
  - (2) the sum of all expenses of the Borrower's power generating operations, including maintenance and administration (excluding depreciation and other non-cash operating charges), interest and other charges on debt (excluding interest financed under a loan contract), repayment of loans (including

sinking fund payments, if any), all taxes or payments in lieu of taxes, all cash dividends and other cash distributions of surplus, increase in net working capital other than cash.

- (vi) The term "capital expenditures" means all expenditures incurred on account of fixed or capital assets, including interest charged to construction, related to the Borrower's power generating operations.

Section 5.05. The Borrower shall, annually, revalue its fixed assets using methods acceptable to the Bank. Such revaluation shall be made to reflect the urban cost of living index for "All Items and All Income Groups" issued by the Central Statistics Office of the Guarantor's Ministry of Finance and Development Planning or such other index as the Bank may agree. For the purposes of this Section the Borrower shall value its fixed assets at March 31, 1981 at a replacement cost of 109.4 million Pula less accumulated depreciation of 32 million Pula.

Section 5.06. Except as the Bank shall otherwise agree, the Borrower shall not incur any debt, if, after the incurrence of such debt, the internal cash generation of the Borrower for the twelve-month period next preceding the incurrence of such debt would be less than 1.4 times the estimated maximum debt service requirement for any succeeding Fiscal Year on the debt of the Borrower. For purposes of this Section:

(a) The term "debt" means any indebtedness of the Borrower 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: (i) under a loan contract or agreement or other instrument providing for such debt or for the modification of its terms of payment, on the date, and to the extent, the amount of such debt has become outstanding pursuant to such contract, agreement or instrument; and (ii) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into, but only to the extent that the guaranteed debt shall be outstanding.

(c) The term "internal cash generation of the Borrower" means gross revenues of the Borrower 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 twelve-month period to which such revenues relate, less all operating expenses of the Borrower, including expenses accountable to administrative, maintenance and taxes (or payments in lieu of taxes), but before provision for depreciation of assets and interest and other charges on debt.

(d) The term "debt service requirement" 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, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Bank.

## ARTICLE VI

### Remedies of the Bank

Section 6.01. For the purposes of Section 6.02 of the General Conditions, the following additional events are specified pursuant to paragraph (k) thereof:

(a) Subject to paragraph (b) of this Section:

(i) The right of the Borrower to withdraw the proceeds of the ADB Loan, the BADEA Loan, the CDC Loan, the EIB Loan, the KF Loan, the SF Loan, the Guarantor Loan or any other loan or grant made to the Borrower for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the ADB Loan Agreement, the BADEA Loan Agreement, the CDC Loan Agreement, the EIB Loan Agreement, the KF Loan Agreement, the SF Loan Agreement, or the Guarantor Agreement, respectively, or any other loan or grant agreement made for the financing of the Project; or

- (ii) the ADB Loan, the BADEA Loan, the . Loan, the EIB Loan, the KF Loan, the SF Loan, the Guarantor Loan or any other loan made to the Borrower for the financing of the Project shall have become due and payable prior to the agreed maturity thereof.

(b) Paragraph (a) of this Section shall not apply if the Borrower establishes to the satisfaction of the Bank that: (i) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (ii) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 6.02. For the purposes of Section 7.01 of the General Conditions, the following additional events are specified pursuant to paragraph (h) thereof, namely, that any event specified in paragraph (a) (ii) of Section 6.01 of this Agreement shall occur subject to paragraph (b) of Section 6.01 of this Agreement.

## 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 12.01 (c) of the General Conditions:

(a) the Bank has been notified by ADB, BADEA, CDC, EIB, KF, SF, and the Guarantor that all conditions precedent to initial disbursements of the ADB Loan, the BADEA Loan, the CDC Loan, the EIB Loan, the KF Loan, the SF Loan, and the Guarantor Loan, other than the effectiveness of this Agreement, have been fulfilled;

(b) the Bank has been notified that arrangements satisfactory to the Bank have been made for the additional financing as referred to in paragraph (I) of the Preamble to this Agreement; and

(c) the "Morupule Colliery Agreement", which has been previously agreed upon between the Borrower and Morupule Colliery, has been amended obligating Morupule Colliery to

produce 600,000 tons per annum and to provide sufficient coal for the initial three years of operation of the power plant included in the Project.

Section 7.02. The date *April 7, 1983*, is hereby specified for the purpose of Section 12.04 of the General Conditions.

### ARTICLE VIII

#### Addresses

Section 8.01. The following addresses are specified for the purposes of Section 11.01 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.

Telex:

440098 (ITT)  
248423 (RCA) or  
64145 (WUI)

For the Borrower:

Botswana Power Corporation  
P.O. Box 48  
Gaborone  
Botswana

Cable address:

ELECTRA  
Gaborone

Telex:

2431 POWER BD

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Agreement to be signed in their respective names 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 */s/ Will A. Wapenhans*  
Regional Vice President  
Eastern Africa

BOTSWANA POWER CORPORATION

By */s/ E. D. Bell*  
Authorized Representative



**SCHEDULE 1**

**Withdrawal of the Proceeds of the Loan**

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each Category and the percentage of expenditures for items so to be financed in each Category:

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollar Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Civil works under Parts A.1 and C of the Project	12,000,000	60%
(2) Equipment for Part A.1 of the Project (excluding turbines, boilers generators and associated equipment therefor) and Part C of the Project (excluding equipment for the system control center)	13,000,000	100% of foreign expenditures
(3) Studies under Part D and training under Part E of the Project	330,000	100% of foreign expenditures
(4) Fee	480,296	
(5) Unallocated	6,689,704	
	<hr/>	
TOTAL	<u>32,500,000</u>	

2. For the purposes of this Schedule, the term "foreign expenditures" means expenditures in the currency of any country other than the Guarantor and for goods or services supplied from the territory of any country other than the Guarantor.

3. The disbursement percentages have been calculated in compliance with the policy of the Bank that no proceeds of the Loan shall be disbursed on account of payments for taxes levied by, or in the territory of, the Guarantor on goods or services, or on the importation, manufacture, procurement or supply thereof; to that end, if the amount of any such taxes levied on or in respect of any item to be financed out of the proceeds of the Loan decreases or increases, the Bank may, by notice to the Borrower, increase or decrease the disbursement percentage then applicable to such item as required to be consistent with the aforementioned policy of the Bank.

4. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

5. Notwithstanding the allocation of an amount of the Loan set forth in the second column of the table in paragraph 1 above, if the Bank has reasonably estimated that the amount of the Loan then allocated to any Category will be insufficient to finance all expenditures in that Category, the Bank may, by notice to the Borrower, reallocate to such Category, to the extent required to meet the estimated shortfall, proceeds of the Loan which are then allocated to another Category and which in the opinion of the Bank are not needed to meet other expenditures.

6. If the Bank shall have reasonably determined that the procurement of any item in any Category is inconsistent with the procedures set forth or referred to in this Agreement, no expenditures for such item shall be financed out of the proceeds of the Loan and the Bank may, without in any way restricting or limiting any other right, power or remedy of the Bank under the Loan Agreement, by notice to the Borrower, cancel such amount of the Loan as, in the Bank's reasonable opinion, represents the amount of such expenditures which would otherwise have been eligible for financing out of the proceeds of the Loan.

## SCHEDULE 2

### Description of the Project

The Project consists of the following Parts:

- Part A: 1. Construction of a coal-fired power plant at Morupule, including a chimney and associated facilities therefor.
2. Construction of a water pipeline from the Mabeleapodi well field to such power plant (about 50 km).
- Part B: Construction of 220 kV power transmission lines from Morupule to Selebi-Phikwe (about 110 km) and from Morupule to Segoditshane (about 262 km) and construction of 132 kV power transmission lines from Segoditshane to Gaborone (about 13 km).
- Part C: Construction of sub-stations and a system control center for the operation of the integrated transmission system.
- Part D: 1. Carrying out of studies on the adequacy of the Borrower's tariff structure.
2. Carrying out of a study to review the Borrower's organizational structure, in particular the organizational changes needed to manage the Borrower's operations after the integration of the transmission systems.
- Part E: Carrying out of a training program to improve the Borrower's operations of the power plant and the control center.
- Part F: Carrying out of a drilling program to establish the exact location of coal reserves in the Morupule area.

\* \* \*

The Project is expected to be completed by June 30, 1986.

**SCHEDULE 3**

**Amortization Schedule**

<u>Date Payment Due</u>	<u>Payment of Principal (expressed in dollars)</u>
On each April 1 and October 1 beginning April 1, 1987 through October 1, 1999	1,250,000

### Premiums on Prepayment

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 3.04 (b) of the General Conditions:

<u>Time of Prepayment</u>	<u>Premium</u>
	The Interest rate (expressed as percentage per annum) applicable to the balance outstanding on the Loan on the day of prepayment multiplied by:
Not more than three years before maturity	0.18
More than three years but not more than six years before maturity	0.35
More than six years but not more than eleven years before maturity	0.65
More than eleven years but not more than sixteen years before maturity	0.88
More than fifteen years before maturity	1.00

## SCHEDULE 4

### Procurement

#### A. International Competitive Bidding

1. Except as provided in Part B hereof, goods and civil works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in the current edition of the "Guidelines for Procurement under World Bank Loans and IDA Credits" published by the Bank in March 1977 (hereinafter called the Guidelines), on the basis of international competitive bidding as described in Part A of the Guidelines.

2. For goods and works to be procured on the basis of international competitive bidding, and in addition to the requirements of paragraph 1.2 of the Guidelines, the Borrower shall prepare and forward to the Bank as soon as possible, and in any event not later than 60 days prior to the date of availability to the public of the first tender or prequalification documents relating thereto, as the case may be, a general procurement notice, in such form and detail and containing such information as the Bank shall reasonably request; the Bank will arrange for the publication of such notice in order to provide timely notification to prospective bidders of the opportunity to bid for the goods and works in question. The Borrower shall provide the necessary information to update such notice annually so long as any goods or works remain to be procured on the basis of international competitive bidding.

3. For the purpose of evaluation and comparison of bids for the supply of goods to be procured on the basis of international competitive bidding: (i) bidders shall be required to state in their bid the c.i.f. (port of entry) price for the imported goods, or the ex-factory price or off-the-shelf price of other goods offered in such bid; (ii) customs duties and other import taxes levied in connection with the importation, or the sales and similar taxes levied in connection with the sale or delivery, pursuant to the bid, of the goods shall not be taken into account in the evaluation of the bids; and (iii) the cost of inland freight and other expenditures incidental to the delivery of the goods to the place of their use or installation shall be included.

B. Other Bidding Procedures

1. Goods estimated to cost \$100,000 or less may be procured under contracts awarded in accordance with local competitive bidding procedures acceptable to the Bank.

2. Civil works estimated to cost \$500,000 or less may be procured under contracts awarded in accordance with local competitive procedures acceptable to the Bank.

C. Review of Procurement Decisions by the Bank

1. Review of invitations to bid and of proposed awards and final contracts:

With respect to all contracts estimated to cost the equivalent of \$1,500,000 or more:

(a) Before bids are invited, the Borrower shall furnish to the Bank, for its comments, the text of the invitations to bid and the specifications and other bidding documents, together with a description of the advertising procedures to be followed for the bidding, and shall make such modifications in the said documents or procedures as the Bank shall reasonably request. Any further modification to the bidding documents shall require the Bank's concurrence before it is issued to the prospective bidders.

(b) After bids have been received and evaluated, the Borrower shall, before a final decision on the award is made, inform the Bank of the name of the bidder to which it intends to award the contract and shall furnish to the Bank, in sufficient time for its review, a detailed report on the evaluation and comparison of the bids received, and such other information as the Bank shall reasonably request. The Bank shall, if it determines that the intended award would be inconsistent with the Guidelines or this Schedule, promptly inform the Borrower and state the reasons for such determination.

(c) The terms and conditions of the contract shall not, without the Bank's concurrence, materially differ from those on which bids were asked or prequalification was invited.

(d) Two conformed copies of the contract shall be furnished to the Bank promptly after its execution and prior to the

submission to the Bank of the first application for withdrawal of funds from the Loan Account in respect of such contract.

3. With respect to each contract not governed by the preceding paragraph, the Borrower shall furnish to the Bank, promptly after its execution and prior to the submission to the Bank of the first application for withdrawal of funds from the Loan Account in respect of such contract, two conformed copies of such contract, together with the analysis of the respective bids, recommendations for award and such other information as the Bank shall reasonably request. The Bank shall, if it determines that the award of the contract was not consistent with the Guidelines or this Schedule, promptly inform the Borrower and state the reasons for such determination.

4. Before agreeing to any material modification or waiver of the terms and conditions of a contract, or granting an extension of the stipulated time for performance of such contract, or issuing any change order under such contract (except in cases of extreme urgency) which would increase the cost of the contract by more than 15% of the original price, the Borrower shall inform the Bank of the proposed modification, waiver, extension or change order and the reasons therefor. The Bank, if it determines that the proposal would be inconsistent with the provisions of this Agreement, shall promptly inform the Borrower and state the reasons for its determination.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

CERTIFICATE

I hereby certify that the foregoing is a true copy of the original in the archives of the International Bank for Reconstruction and Development.

In witness whereof I have signed this Certificate and affixed the Seal of the Bank thereunto this 7th day of Jan, 1983.



FOR SECRETARY