

CONFORMED COPY

CREDIT NUMBER 1724 GM

Development Credit Agreement
(Water and Electricity Project)

between

THE REPUBLIC OF THE GAMBIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated November 23, 1987

CREDIT NUMBER 1724 GM

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated November 23, 1987, between THE REPUBLIC OF THE GAMBIA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project;

(B) the Borrower intends to obtain from the Austrian Government a loan (the Austrian Loan) in an amount of not less than \$4,000,000 equivalent to assist in financing Part A (2) and (3) and Part C of the Project on the terms and conditions set forth in an agreement (the Austrian Loan Agreement) to be entered into between the Borrower and the Austrian Government;

(C) the Borrower has applied to the European Investment Bank (EIB) for a loan (the EIB Loan) in an amount of not less than \$4,000,000 equivalent to assist in financing Part A (1) and (3) of the Project on the terms and conditions set forth in an agreement (the EIB Loan Agreement) to be entered into between the Borrower and (EIB);

(D) the Borrower has applied to the African Development Fund (ADF) for a loan (the ADF Loan) in an amount of not less than \$4,000,000 equivalent to assist in financing portions of Part A (3) of the Project on the terms and conditions set forth in an agreement (the ADF Loan Agreement) to be entered into between the Borrower and ADF;

(E) the Borrower intends to obtain from the Commission of the European Economic Community (EEC) a grant in an amount of approximately 2,600,000 ECU to be made from its Economic Development Fund Resources (the EDF Grant) to assist in

financing Part B of the Project on the terms and conditions set forth in an agreement (the EDF Financing Agreement) to be entered into between the Borrower and EEC;

(F) the Project will be carried out by the Gambia Utilities Corporation (GUC) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to GUC the proceeds of the Credit as provided in this Agreement; and

WHEREAS the Association has agreed, on the basis inter alia of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement and in the Project Agreement of even date herewith between the Association and GUC;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Project Agreement" means the agreement between the Association and GUC of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;

(b) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and GUC pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Loan Agreement;

(c) "GUC" means the Gambia Utilities Corporation established by the Gambia Utilities Corporation Act, 1972 (No. 19);

(d) "the GUC Act" means the Gambia Utilities Corporation Act, 1972 (No. 19);

(e) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;

(f) "Project Account" means the account referred to in Section 2.02 of the Project Agreement; and

(g) "Dalasi" means currency of the Borrower.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to six million three hundred thousand Special Drawing Rights (SDR 6,300,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit 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 Association, for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit.

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars a special account in the Central Bank of the Gambia on terms and conditions

satisfactory to the Association. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 3 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 1994 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge at the rate of one-half of one per cent ($1/2$ of 1%) per annum on the principal amount of the Credit not withdrawn from time to time. The commitment charge shall accrue from a date sixty days after the date of the Development Credit Agreement to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or shall be cancelled.

(b) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one per cent ($3/4$ of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on March 1 and September 1 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Credit in semiannual installments payable on each March 1 and September 1 commencing September 1, 1996, and ending March 1, 2036. Each installment to and including the installment payable on March 1, 2006, shall be one-half of one per cent ($1/2$ of 1%) of such principal amount, and each installment thereafter shall be one and one-half per cent ($1-1/2\%$) of such principal amount.

Section 2.08. The currency of the United Kingdom of Great Britain and Northern Ireland is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end, without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, shall cause GUC to perform in accordance with the provisions of the Project Agreement all the obligations of GUC therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable GUC to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall relend the proceeds of the Credit to GUC under a subsidiary loan agreement to be entered into between the Borrower and GUC, under terms and conditions which shall have been approved by the Association which shall include repayment of principal in 20 years (including five years of grace for both principal and interest) and interest at eight and one-half percent (8.5%) per annum.

(c) The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit, and except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Loan Agreement or any provision thereof.

Section 3.02. Except as the Association shall otherwise agree, procurement of

the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of the Schedule to the Project Agreement.

Section 3.03. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) shall be carried out by GUC pursuant to Section 2.03 of the Project Agreement.

ARTICLE IV

Other Covenants

Section 4.01. (a) The Borrower shall reconstitute GUC's Board of Directors by appointing to the Board persons with the varied background and experience required under the GUC Act including directors representative of industrial and domestic consumer interests.

(b) The Borrower undertakes that the qualifications, experience and terms and conditions of employment of GUC's Managing Director shall be satisfactory to the Association.

Section 4.02. The Borrower undertakes that any consents and approvals required in relation to GUC's tariff increases shall be given no later than 45 days after a tariff increase has been approved by GUC's Board of Directors.

Section 4.03. (a) The Borrower shall transfer to and vest in GUC, upon completion of Banjul City's new sewerage system, all the works and assets relating thereto as the Borrower's equity contribution to GUC's capital; provided that those portions of the sewerage system as are being financed by ADF shall be transferred to and vested in GUC on the same terms as are required in the agreement with ADF providing for such financing.

(b) The Borrower shall make budgetary provisions for, and promptly pay to GUC, amounts which shall not be less than the amounts by which GUC's cash operating expenses for sewerage services exceed GUC's sewerage services revenues; provided that the Borrower shall not pay any such amounts after the connection program designed for the new sewerage system has been installed.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional events are specified:

(a) GUC shall have failed to perform any of its obligations under the Project Agreement;

(b) as a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that GUC will be able to perform its obligations under the Project Agreement;

(c) the GUC Act shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of GUC to perform any of its obligations under the Project Agreement;

(d) the Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of GUC or for the suspension of its operations; and

(e) (i) Subject to subparagraph (ii) of this paragraph:

(A) the right of the Borrower to withdraw the proceeds of any grant or loan made to the Borrower for the financing of the

Project (including the Austrian Loan, the EIB Loan, the ADF Loan, and the EDF Grant) shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor, or

(B) any such loan shall have become due and payable prior to the maturity thereof;

(ii) subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) 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 (B) 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 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional events are specified:

(a) the event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower; and

(b) the events specified in paragraphs (c) , (d) and (e) of Section 5.01 of this Agreement shall occur subject in the case of the event specified in paragraph (e) (i) (B) of that Section to the proviso of paragraph (e) (ii) thereof.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) the Subsidiary Loan Agreement has been executed on behalf of the Borrower and GUC;

(b) the Borrower has converted into equity overdue interest payments on GUC's debts to the Borrower and said debts have been removed from the books of accounts of the Borrower and GUC;

(c) GUC has opened the Project Account and paid in the initial amount required under Section 2.02 of the Project Agreement;

(d) the Austrian Loan Agreement, the EIB Loan Agreement, the ADF Loan Agreement and the EDF Financing Agreement have been duly executed; and

(e) GUC has adjusted its tariffs for water and electricity to a level consistent with current exchange rate alignments and current fuel prices.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association:

(a) that the Project Agreement has been duly authorized or ratified by GUC, and is legally binding upon GUC in accordance with its terms; and

(b) that the Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and GUC and is legally binding upon the Borrower and GUC in accordance with its terms.

Section 6.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Mechanical and electrical equipment, pipes and fittings, vehicles and spare parts	1,260,000	100% of foreign expenditures
(2) Civil works	680,000	100% of foreign expenditures
(3) Consultant services and training	1,500,000	100%
(4) Fuel oil expenditures under Part D.4 of the Project including working capital	1,600,000	100%
(5) Unallocated	1,260,000	
TOTAL	6,300,000	

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

- (a) payments made for expenditures prior to the date of this Agreement; and
- (b) expenditures under Category (4) unless: (i) GUC has opened at a commercial bank an account to be used exclusively for the purchase of GUC's fuel and lubricating oil needs; and (ii) the Borrower and GUC have furnished the Association with a plan satisfactory to the Association under which GUC will make regular deposits into said account for its fuel oil purchase needs.

SCHEDULE 2

Description of the Project

The objectives of the Project are: (i) to increase the supply of water to the Greater Banjul area and expand the public water supply system; (ii) to provide improved water supply services to seven provincial urban centers; (iii) to reduce electricity line losses; and (iv) to assist GUC to achieve financial viability through improved operational efficiency and financial management.

The Project consists of the following Parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

Part A: Greater Banjul Water Supply Expansion

1. Construction of supply source works at Yundum to meet water supply demand in the Greater Banjul area up to 1993.
2. Provision of overhead 11 KV power supplies to the Yundum and Brikama boreholes and the Yundum Treatment Plant.
3. Provision of distribution system works to distribute additional water from Yundum and Brikama including about nine storage tanks, about 82 km of transmission and

distribution pipelines and 3,000 service connections.

4. Supervision of construction of works required under sub-Parts 1 and 3 above.
5. Studies relating to GUC's operations including preparation of a follow-on project and a study of groundwater in the Banjul peninsula.
6. Upgrading of the Abuko laboratory including provision of equipment and supplies.

Part B: Provincial Urban Centers Water Supply Systems Rehabilitation

1. Rehabilitation of supply sources, and rehabilitation and expansion of distribution systems for seven provincial urban centers (Bansang, Barra-Kanuma, Basse, Farafenni, Georgetown, Kerewan and Mansakonko) including construction of a new supply source and or treatment plant at Bansang, construction of elevated storage tanks in four provincial urban centers and the laying of about 28 km of distribution pipelines.
2. Supervision of construction of works required under sub-Part 1 above.

Part C: Banjul Electricity Distribution System Reinforcement

1. Reinforcement of GUC's electricity supply operations including augmenting the ring circuit within Banjul City; replacement of about 9 substations within Banjul City; relaying of overhead low voltage lines in the Banjul secondary system; installation of new meters; and purchase of vehicles.
2. Studies relating to reduction of electricity line losses.

Part D: Reinforcement of GUC's Operations

1. Improvement at GUC of manpower development, financial management and operation and maintenance including provision of associated training, tuition and equipment.
2. Purchase of materials and equipment to improve GUC's urban water supply systems operations including a four-year supply of materials for maintenance.
3. Construction and upgrading of depots and storage facilities for GUC's Water Division.
4. Bulk purchases of fuel and lubricating oil by GUC.

* * *

The Project is expected to be completed by December 31, 1993.

SCHEDULE 3

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2), (3) and (4) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to SDR 200,000 to be withdrawn from the Credit Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Except as the Association shall otherwise agree, payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Association has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account may be made as follows:

(a) On the basis of a request or requests by the Borrower for a deposit or deposits which add up to the aggregate amount of the Authorized Allocation, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit in the Special Account such amount or amounts as the Borrower shall have requested.

(b) The Borrower shall furnish to the Association requests for replenishment of the Special Account at such intervals as the Association shall specify. On the basis of such requests, the Association shall withdraw from the Credit Account and deposit into the Special Account such amounts as shall be required to replenish the Special Account with amounts not exceeding the amount of payments made out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by the evidence supporting the request for such deposit furnished pursuant to paragraph 4 of this Schedule.

4. For each payment made by the Borrower out of the Special Account for which the Borrower requests replenishment pursuant to paragraph 3 (b) of this Schedule, the Borrower shall furnish to the Association, prior to or at the time of such request, such and other evidence as the Association shall reasonably request, showing that such payment was made for eligible expenditures.

5. (a) Notwithstanding the provisions of paragraph 3 of this Schedule, no further deposit into the Special Account shall be made by the Association when either of the following situations first arises:

(i) the Association shall have determined that all further withdrawals should be made directly by the Borrower from the Credit Account in accordance with the provisions of paragraph (a) of Section 2.02 of this Agreement; or

(ii) the total unwithdrawn amount of the Credit allocated to the eligible Categories less the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall be equal to an amount equivalent to twice the amount of the Authorized Allocation.

(b) Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice have been or will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for any expenditure or in any amount not eligible pursuant to paragraph 2 of this Schedule, or (ii) was not justified by the evidence furnished pursuant to paragraph 4 of this Schedule, the Borrower shall, promptly upon notice from the Association, deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. No further deposit by the Association into the Special Account shall be made until the Borrower has made such deposit or refund.

(b) If the Association shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount for crediting to the Credit Account.

