

CONFORMED COPY

CREDIT NUMBER 2456 RW

Development Credit Agreement
(Energy Sector Rehabilitation Project)

between

RWANDESE REPUBLIC

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated April 21, 1993

CREDIT NUMBER 2456 RW

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated April 21, 1993, between RWANDESE REPUBLIC (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 Association has received an Energy Sector Policy Statement, dated December 30, 1992, from the Borrower describing a long-term development plan to achieve the improvement of the energy sector of the Borrower and declaring the Borrower's commitment to the execution of said plan;

(C) the Borrower intends to contract from Caisse Centrale de Cooperation Economique (CCCE) a loan (the CCCE Loan) in an amount equivalent to two million seven hundred thousand dollars (\$2,700,000) to assist in financing part of the Project on the terms and conditions set forth in an Agreement (the CCCE Agreement) to be entered into between the Borrower and CCCE;

(D) the Borrower also intends to contract from the European Investment Bank (EIB) a loan (the EIB Loan) in an amount equivalent to seven million nine hundred ten thousand dollars (\$7,910,000) to assist in financing Part B.2 and B.3 of the Project on the terms and conditions set forth in an agreement (the EIB Agreement) to be entered into between the Borrower and EIB;

(E) Part B.1, B.2, B.3 and B.5 of the Project will be carried out by Etablissement Public de Production, de Transport et de Distribution d'Electricite, d'Eau et de Gaz (ELECTROGAZ); 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 ELECTROGAZ (the Project Agreement);

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) "ELECTROGAZ" means Etablissement Public de Production, de Transport et de Distribution d'Electricite, d'Eau et de Gaz, a public utility of the Borrower responsible for the production, transportation and distribution of electricity, water and gas, established pursuant to Decree Law No. 18 of 1976, and all references to ELECTROGAZ in this Agreement shall also include any legal successor of ELECTROGAZ to be established by the Borrower under this Agreement;

(b) "Escrow Account" means the account referred to in Section 3.07 of this Agreement;

(c) "MICOMART" means Ministcre du Commerce, de l'Industrie et de l'Artisanat, the Borrower's Ministry of Commerce, Industry and Handicrafts;

(d) "MINAGRI" means Ministcre de l'Agriculture et de l'Elevage, the Borrower's Ministry of Agriculture and Animal Husbandry;

(e) "MINITRAPE" means Ministcre des Travaux Publics et de l'Energie, the Borrower's Ministry of Public Works and Energy;

(f) "NFF" means National Forestry Fund;

(g) "PETRORWANDA" means the Borrower's majority-owned company responsible, inter alia, for the import and commercialization of petroleum product;

(h) "PCAU" means Project Coordination and Administration Unit;

(i) "PIU" means Project Implementation Unit;

(j) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated December 18, 1991 between the Borrower and the Association;

(k) "Rwandese Franc" or "FRW" means the currency of the Borrower;

(l) "SNP" means Societe Nationale de Patrimoine, the Borrower's National Utility Authority established to succeed to ELECTROGAZ in accordance with Section 3.03 (a) (i) of this Agreement;

(m) "SPE" means Societe Privee d'Exploitation, a management company to be created and partially owned by the Borrower, and which shall be responsible for production, transmission and distribution of electricity, water and gas;

(n) "SOCIGAZ" means Societe Commerciale et Industrielle du Gaz Methane du Lac Kivu, a company jointly owned by the Borrower and the Republic of Zaire, responsible for managing the methane gas resources of Lake Kivu, including all regulatory power related to the exploitation of such gas resources;

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

(p) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and ELECTROGAZ pursuant to Section 3.02 of this Agreement, as the same may be amended from time to time.

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 eighteen million five hundred thousand Special Drawing Rights (SDR 18,500,000).

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 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 described in Schedule 2 to this Agreement 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 deposit account in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

(c) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be cancelled.

Section 2.03. The Closing Date shall be December 31, 1998 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 on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) 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 percent (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 February 15 and August 15 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each February 15 and August 15 commencing February 15, 2003 and ending August 15, 2032. Each installment to and including the installment payable on August 15, 2012 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the terms of repayment of installments under paragraph (a) above by requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid. If so requested by the Borrower, the Association may revise such modification to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(c) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America 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, shall carry out Part A.6 of the Project

through MICOMART, Part A.3 (ii) of the Project through MINAGRI and Parts A.1, A.2, A.3 (i), A.4, A.5, B.4 and B.6 of the Project through MINITRAPE with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering, environmental and public utility practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) The Borrower shall cause ELECTROGAZ or its successor to perform in accordance with the provisions of the Project Agreement, all the obligations of ELECTROGAZ therein set forth, shall take and cause to be taken all actions, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable ELECTROGAZ or its successor to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(c) Without limitation upon the provisions of paragraphs (a) and (b) of this Section and, except as the Borrower and the Association shall otherwise agree, the Borrower shall cause the Project to be carried out in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

(d) Without limitation upon the provisions of this Agreement and, except as the Borrower and the Association shall otherwise agree, the Borrower shall not prevent ELECTROGAZ or any of its successors in taking all necessary actions specified in Sections 4.03, 4.04 and 4.05 of the Project Agreement.

Section 3.02. The Borrower shall, for the purposes of Part B.1 and B.5 of the Project, relend out of the proceeds of the Credit an amount equivalent to thirteen million four hundred forty thousand dollars (\$13,440,000) to ELECTROGAZ under a Subsidiary Loan Agreement to be entered into between the Borrower and ELECTROGAZ under terms and conditions which shall have been approved by the Association and which shall provide, inter alia, that such proceeds be relent at a variable interest rate at all times equal to the Bank's interest rate on loans plus one percent (1%) commission, for a term of twenty-five (25) years including a grace period of five (5) years. The Borrower shall bear the foreign exchange risk.

Section 3.03. (a) The Borrower shall take all necessary measures: (i) to establish, no later than November 30, 1993, SNP which shall have full autonomy to operate and which shall maintain an independent financial accounting system; and (ii) to establish, no later than November 30, 1993, SPE, to operate and maintain the assets of ELECTROGAZ.

(b) The Borrower shall ensure that, no later than November 30, 1993, SNP signs a lease-contract with SPE, under terms and conditions set forth in paragraph 5 of Schedule 4 to the Agreement and which shall have been approved by the Association.

(c) The lease-contract referred to in paragraph (b) above shall also define the targets of indicators to be used during the mid-term evaluation referred to in Section 3.05 (a) of this Agreement.

Section 3.04. 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 Schedule 3 to this Agreement.

Section 3.05. (a) The Borrower shall, no later than June 30, 1995, carry out a mid-term evaluation to review the overall project implementation, to assess Project achievements and to take all necessary corrective measures required to achieve the objectives of the Project. The evaluation shall take into consideration, inter alia, net production (GWh), power available for sale, billing (percentage of power available for sale), client-account expressed in days of sales (non-governmental), purchase of electricity, number of clients per employee, net operating co-efficient, general

liquidity, self-financing ratio, service quality including the quality of voltage and number of interruptions and average interruption per client, and standards of drinkability of water, fixed by the World Health Organization.

(b) No later than three months prior to the mid-term evaluation, the Borrower shall prepare all necessary documentation required for the evaluation referred to in paragraph (a) above to be submitted to the Association.

Section 3.06. The Borrower shall, no later than November 30 each year, prepare an annual report on the public investment and expenditure program in the energy sector, and shall adopt a three-year rolling program, satisfactory to the Association, starting on January 1993.

Section 3.07. (a) The Borrower shall, no later than November 30, 1993 open and maintain an Escrow Account in a commercial bank, acceptable to the Association, on terms and conditions acceptable to the Association and deposit into the account an amount equivalent to five hundred million Rwandese Francs (500,000,000 RWF) as its initial deposit to be used for the payment of electricity and water bills of the Borrower's ministries and agencies until December 31, 1994.

(b) The Borrower shall thereafter, and no later than January 1 each year, deposit an amount corresponding to the payment of estimated consumption of electricity and water by such ministries and agencies. Any shortfall or surplus shall be duly taken into account while determining the amount to be deposited for the next year.

Section 3.08. The Borrower shall cause ELECTROGAZ to take all necessary measures so as to bring and thereafter maintain the number of its staff at a level not to exceed 1,253.

Section 3.09. The Borrower shall submit to the Association a proposal, satisfactory to the Association, on a new tariff structure for low voltage and medium voltage users except for customers using up to 40 kWh per month and shall implement the proposal.

Section 3.10. The Borrower shall take all necessary measures, satisfactory to the Association, to be applied by the customs agents at border points to stop smuggling of diesel.

Section 3.11. The Borrower shall, no later than September 30, 1993, submit to the Association an Action Plan including the simplification of the taxation structure and the price of petroleum product, the liberalization of such price and its implementation by January 1, 1994.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association, as soon as available,

but in any case not later than six months after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

- (iii) furnish to the Association such other information concerning said records, accounts and the audit thereof as the Association shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

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) 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 MICOMART, MINAGRI, MINITRAPE and ELECTROGAZ or any of its successors will be able to perform their respective obligations, under this Agreement; and

(b) the Borrower or any other authority having jurisdiction shall have taken any action concerning the Borrower's Policy Statement and energy policies and programs that would materially affect the objectives of the Project.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional event is specified, namely that the event specified in paragraph (b) of Section 5.01 of this Agreement shall occur.

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 referred to in Section

3.02 of this Agreement has been executed on behalf of the Borrower and ELECTROGAZ;

(b) the PCAU and the PIUs referred to in paragraphs 1 and 2 (a) of Schedule 4 to this Agreement respectively have been established and the Manager in each of the PIUs and the accountants referred to in paragraph 2 (b) of Schedule 4 to this Agreement have been appointed;

(c) the Borrower has submitted to the Association its proposal on the new tariff structure referred to in Section 3.09 of this Agreement and its implementation;

(d) the Borrower has submitted to the Association evidence of the implementation of the Ministerial Decree establishing the details on charcoal transport taxation including its collection through the National Forestry Fund;

(e) the Borrower has prepared the set of measures referred to in Section 3.10 of this Agreement;

(f) the Borrower has confirmed the financing plan of the Project and has submitted evidence that ELECTROGAZ has taken all necessary measures to conform with Section 3.08 of this Agreement;

(g) the Borrower has submitted the evidence that the bids for the selection of the professional private operator has been launched; and

(h) the Borrower has increased and implemented a 15% tariff increase on electricity and water.

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 to be furnished to the Association: (i) that the Project Agreement has been duly authorized or ratified by ELECTROGAZ in accordance with its terms; and (ii) that the Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and ELECTROGAZ and is binding upon the parties, 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

Representative of the Borrower; Addresses

Section 7.01. The Minister of the Borrower at the time responsible of finance is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministcre des Finances
Bocte Postale 158
Kigali
Rwandese Republic

Cable address:

Telex:

MINIFIN
Kigali

22687

For the Association:

International Development Association

1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

Telex:

INDEVAS
Washington, D.C.

197688 (TRT),
248423 (RCA),
64145 (WUI) or
82987 (FTCC)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, 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.

RWANDESE REPUBLIC

By /s/ Aloys Uwimana

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Francisco Aguirre-Sacasa

Acting Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Works		
(a) Part B.1 of the Project	650,000	100% of foreign expenditures and 90% of local expenditures
(b) Other	450,000	
(2) Goods		
(a) Part B.1 of the Project	4,550,000	100% of foreign expenditures
(b) Part A.6 of the Project	340,000	
(c) Other	2,540,000	
Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(3) Consultants'		100% of foreign

	Services, Technical Assistance and Training		expenditures and 90% of local expenditures
(a)	Part A.6 of the Project	160,000	
(b)	Other	6,340,000	
(4)	Refunding of Project Prepara- tion Advance	540,000	Amount due pur- suant to Section 2.02 (c) of this Agreement
(5)	Unallocated	2,930,000	
	TOTAL	18,500,000 =====	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower; and

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower provided, however, that if the currency of the Borrower is also that of another country from the territory of which goods or services are supplied, expenditures in such currency for such goods or services shall be deemed to be "foreign expenditures".

3. 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 except that withdrawals, in an aggregate amount not exceeding the equivalent of nine hundred thousand Special Drawing Rights (SDR 900,000), may be made on account of payments made for expenditures before that date but after August 31, 1992;

(b) payments made for expenditures under Categories (1) (a) and (2) (a) unless (i) the Borrower has submitted to the Association evidence that the Lease Contract between SNP and SPE referred to in Section 3.03 (b) of this Agreement has been signed; (ii) the Borrower has confirmed the availability of the Borrower's equity contribution to SPE of not less than one million dollars (\$1,000,000); (iii) the Borrower has promulgated the Statutes of the SNP and has appointed all members of the Board; (iv) the Borrower has enacted the Law establishing the regulatory framework for public enterprises; and

(c) payments made for expenditures under Categories (2) (b) and (3) (a), unless: (i) the Borrower has submitted to the Association evidence of the transfer of responsibilities for managing the petroleum storage depots from PETRORWANDA to a private company to be created and to be jointly owned by all the oil importers; and (ii) the Borrower has submitted the Action Plan referred to in Section 3.11 of this Agreement.

SCHEDULE 2

Description of the Project

The objectives of the Project are to: (a) create an enabling regulatory and policy environment; (b) enhance the efficiency of ELECTROGAZ operations; (c) provide technical assistance and training

to key sector institutions to build up investment planning capacity and strengthen government capacity to formulate a coherent sector policy and to monitor sector activities related to woodfuel, methane, petroleum products and least-cost power supply alternatives for rural areas; and (d) rehabilitate key power infrastructure.

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: Strengthening of Regulatory and Policy Framework

1. Restructuring of ELECTROGAZ to permit the contracting out of its utility operations to a private operator, including preparation of statutes and functions of ELECTROGAZ and preparation of bidding documents for the selection of a private operator.
2. Implementation of a series of make-ready measures to attract qualified private operators.
3. Introduction of incentives to rationalize and improve efficiency of the charcoal sub-sector through the provision of equipment and services required to establish a self-financing program, including: (i) preparation of demand projections for wood energy; and (ii) data collection on the availability of resources; preparation of demand projections for the use of non-energy wood; preparation and implementation of village wood management plans and modernization of the charcoal sector.
4. Provision of funds for: (i) preparation of a manual with proper standardized technical specifications including environmental aspects, adequate concession arrangements, tariff structure and royalties, and appropriate legal framework for the future exploitation of Lake Kivu's methane gas; (ii) setting-up of a monitoring system for the chemistry of dissolved gases in the Lake Kivu and volcanic activity in the area; (iii) training of scientists and technicians; (iv) establishment of a warning system and evacuation plan for the event of a disaster; and (v) carrying out of a bathymetric survey and an environmental impact study of the identified sites of the Lake.
5. Carrying out studies to design a strategy for solar home systems, including market study, and proposals for innovative financing schemes.
6. Strengthening of the capacity of MICOMART to implement the simplification of taxation and pricing structure and price liberalization for petroleum product and provision of equipment and training to a small petroleum monitoring and analysis unit.

Part B: Rehabilitation and Improvement of Key Power Infrastructure

1. Rehabilitation and extension of the distribution network in the cities of Kigali, Butare, Gisenyi, Nyabisindu and Ruhengeri.
2. Improvement in transmission network sub-stations including the addition of two 110 KV bays in the Mururu I Substation.
3. Overhauling of the Mukungwa I hydro power station including rehabilitation work of hydraulic structures of Gisenyi and Gihira hydro power stations.
4. Carrying out of feasibility studies for hydroplants.
5. Constitution of a reserve stock of spare parts for plants and substations and maintenance equipments and tools.
6. Capacity building of the PCAU and PIU staff involved in the management and monitoring of the Project and training of students through scholarship.

* * *

The Project is expected to be completed by June 30, 1998.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part D hereof, goods and works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1992 (the Guidelines).

2. Bidders for the works included in Part A.1 of Schedule 2 of the Project shall be prequalified as described in paragraph 2.10 of the Guidelines.

3. To the extent practicable, and consistent with appropriate technical standards and procurement procedures, contracts for works, goods and services shall be grouped into bid packages estimated to cost the equivalent of \$100,000 or more.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A hereof, goods manufactured in the Rwandese Republic may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Preference for Domestic Contractors

In the procurement of works in accordance with the procedures described in Part A hereof, the Borrower may grant a margin of preference to domestic contractors in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraph 5 of Appendix 2 thereto.

Part D: Other Procurement Procedures

1. All contracts for distribution, rehabilitation works and vehicles, office furniture and equipment and computers pertaining to the charcoal program, up to an aggregate amount not to exceed \$270,000 equivalent, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. Laboratory equipment and equipment to repair and modernize fuel depots up to an aggregate amount of \$440,000 equivalent shall be procured under contracts awarded on the basis of comparison of price quotations from at least three suppliers from a minimum of two different countries eligible under the Guidelines, in accordance with procedures acceptable to the Association.

3. Spare parts for Part B.5 of the Project up to an aggregate amount of \$2,610,000 equivalent may be procured under contracts awarded directly with prior approval of the Association.

4. All contracts for civil works under Part B of the Project up to an aggregate amount of \$1,860,000 equivalent may be procured under contracts awarded on the basis of a competitive bidding advertised locally, in accordance with procedures satisfactory to the Association.

Part E: Review by the Association of Procurement Decisions

1. Review of prequalification:

With respect to the prequalification of bidders as provided in Part A.2 hereof, the procedures set forth in paragraph 1 of Appendix 1 to the Guidelines shall apply.

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

(a) With respect to each contract estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Association pursuant to said paragraph 3 shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 5 to this Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which withdrawals from the Credit Account are to be made on the basis of statements of expenditure.

3. The figure of 10% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

In order to assist the Borrower in carrying out the Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

SCHEDULE 4

Implementation Program

A. Project Coordination and Management

1. The Borrower shall establish a PCAU within MINITRAPE which shall be the coordinator of the Project. The PCAU shall comprise, inter alia, the Director of the Directorate of Energy and Petroleum Product of the Borrower, one representative from MICOMART, MINAGRI and MINITRAPE each and a representative of ELECTROGAZ. The Director of Energy and Petroleum Product shall be the head of the PCAU. The PCAU shall be responsible for, inter alia:

- (i) coordinating and supervising the use of funds allocated for the execution of the Project;
- (ii) keeping detailed accounts of the funds used in the execution of the Project;
- (iii) supervising the execution by each Project Implementation Unit (PIU) of the different project components;

- (iv) supervising jointly with the representatives of each Ministry and Agency involved, the procurement procedures for each contract entered into and follow up the execution of each contract;
- (v) keeping appropriate files for all project components;
- (vi) coordinating the preparation by the PIUs of their respective annual work program and progress reports, consolidating and sending them to the Association at three-month interval;
- (vii) coordinating the activities of PIUs with respect to the Project Completion Report, and sending the report to the Association;
- (viii) handling official correspondence in respect of project execution with the Association, consultants, contractors and Borrower's Agencies.

2. (a) The Borrower shall cause ELECTROGAZ, MICOMART, MINAGRI and MINITRAPE to establish within each of their administrative frameworks a PIU. Each PIU shall have, inter alia, a Manager.

(b) The Borrower shall also appoint or cause to be appointed an Accountant and an Assistant Accountant for the Project for its entire duration. The Accountant shall report to the PCAU.

3. The Borrower shall ensure that: (i) starting from January 1993, each agency and ministry of the Borrower is made responsible for the cost of its electricity and water consumption and shall implement an action plan to reduce consumption of electricity and water; (ii) their annual budget allocations shall include sufficient provision to cover the cost of their electricity and water consumption; (iii) all the bills are paid within sixty days from their presentation in accordance with agreed administrative procedures; and (iv) no later than March 31, 1993, a systematic power cut policy for delinquent consumers, including the Borrower's ministries and agencies, is implemented.

4. The Borrower shall provide on a declining basis the differential between the actual water tariff and the full rate; the actual provision shall be determined no later than October 31 of each year for the succeeding year.

5. The lease-contract referred to in Section 3.03 (b) of this Agreement shall contain, inter alia, provisions that SPE shall have full operational autonomy and independent financial accounting system and shall be fully responsible: (i) for production, transmission and distribution of electricity, water and gas; (ii) for maintaining and operating assets and facilities; (iii) for billing the customers and collecting revenues; (iv) for investing in short-term fixed assets; and (v) for recruiting or dismissing of all staff it deems necessary.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (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 \$500,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. 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 shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposits into the Special Account at such intervals as the Association shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid 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 said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(b) once 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 equal the equivalent of twice the amount of the Authorized Allocation.

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 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 an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) 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. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(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.

(c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Association made pursuant to paragraph 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

