

June 22, 1993

His Excellency Ibni Oumar Mahamat Saleh
Ministry of Planning and Cooperation
B.P. 286
N'Djamena
Republic of Chad

Amendment: Dutch Grant Agreement (Financial Rehabilitation Credit) - No. 1945

Excellency:

We refer to the Dutch Grant Agreement (Republic of Chad - Financial Rehabilitation Credit), dated August 31, 1990, as amended November 21, 1990, between the Republic of Chad (the Recipient) and the International Development Association, as administrator of Dutch Funds provided by the Minister for Development Cooperation of the Netherlands (the Administrator). Further to the discussions held with the representatives of the Recipient, we are pleased to inform you that the Administrator hereby agrees to the following amendments to the above-referenced Dutch Grant Agreement.

1. The whereas clause (A) of the Preamble is amended by deleting the following parenthetical: "(the Program)".

2. Section 1.01 is amended by replacing the "." at the end of paragraph (h) with ";", and inserting thereafter:

"(i) the term "Cotontchad" means the Societe Cotonniere du Tchad, a company organized under the laws of Chad;

(j) the term "Program" means the program of actions, objectives and policies described in the Recipient's letter dated April 22, 1993;

(k) the term "Program Expenditures Table" means the table entitled "Contrat-Plan II Revise, Tableau II - Plan de Financement Don Neerlandais" annexed to the Recipient's letter dated April 22, 1993 describing the Program; and

(l) the term "Special Account" means the account referred to in Section 2.02(b) of this Agreement."

3. Paragraph (a) of Section 2.02 is amended and restated to read in its entirety as follows:

"(a) The Proceeds of the Dutch Grant may be withdrawn from the Dutch Grant Account in accordance with the provisions of Schedule 1 to this Agreement (which schedule is attached as Annex 1 to this Amendment). Except as the Administrator shall otherwise agree, contracts for:

(i) goods to be financed out of the proceeds of the Dutch Grant shall be procured in accordance with the provisions of Schedule 2 to the Development Credit Agreement, which is hereby incorporated into this Agreement with the same force and effect as if it were fully set forth herein, it being understood that the references in said Schedule to the 'Association' shall be deemed to be references to the Association acting as Administrator of the Dutch Grant, and (ii) services to be financed out of the proceeds of the Dutch Grant shall be procured as follows: the Recipient shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Administrator, and such consultants shall be selected in accordance with principles and procedures satisfactory to the Administrator 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 1981."

August

4. Section 2.04 is amended and restated to read in its entirety as follows:

"The Closing Date shall be June 30, 1994, or such later date as the Administrator shall establish. The Administrator shall promptly notify the Recipient of such later date."

5. Section 3.01 is amended by deleting all references therein to "Article IV of the Development Credit Agreement".

6. The following is inserted as Sections 3.02 of Article III:

Section 3.02. Pursuant to Section 6.02 (h) of the General Conditions, the following additional events are specified:

(a) a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out; and (b) the macro-economic policy framework of the Recipient is not consistent with the objectives of the Program."

7. The provisions of Annex 1 to this Amendment are incorporated into the Dutch Grant Agreement as Schedule I thereof.

8. This Amendment shall not become effective until the suspension of the Recipient's right to make withdrawals under the Dutch Grant Agreement, declared by the Administrator by telex dated July 8, 1991, shall have been lifted.

Please indicate your agreement with the foregoing by countersigning and dating the form of confirmation on the two original copies of this letter provided and returning one original, as countersigned, to us.

Sincerely,

By /s/ Katherine Marshall
Director
Sahelian Department
Africa Region
International Development Association,
as administrator of the Dutch Grant

Confirmed

REPUBLIC OF CHAD

By /s/
Authorized Representative

Date: 07/07/93

Annex 1

SCHEDULE 1

Withdrawal of the Proceeds of the Grant

1. Subject to the provisions set forth or referred to in this Schedule, the proceeds of the Dutch Grant may be withdrawn from the Dutch Grant Account for expenditures made (or, if the Administrator shall so agree, to be made) in respect of the reasonable cost of goods and services required during the execution of the Program and to be financed out of such proceeds. The table below sets forth the Categories of items to be financed out of the proceeds of the

Dutch Grant, the allocation of the amounts of the Dutch Grant to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Dutch Grant Allocated (Expressed in f. Equivalent)	% of Expenditures to be Financed
(1) Goods and Services	9,100,000	100%
(2) Consultants' Services for		100%
(a) Technical Audit of Cotontchad	700,000	
(b) Financial Audit of Cotontchad for fiscal year ending October 31, 1992	200,000	
TOTAL	10,000,000	

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

(a) expenditures for goods included in the following SITC groups or subgroups, or any successor groups or subgroups under future revisions to the SITC, as designated by the Administrator by notice to the Recipient:

Group	Subgroup	Description of Items
112	-	Alcoholic beverages
121	-	Tobacco, unmanufactured, tobacco refuse
122	-	Tobacco, manufactured (whether or not containing tobacco substitutes)
525	-	Radioactive and associated materials
667	-	Pearls, precious and semiprecious stones, unworked or worked
718	718.1	Nuclear reactors, and parts thereof, fuel elements (cartridges), nonirradiated for nuclear reactors
728.43	-	Tobacco processing machinery
897	897.3	Jewelry of gold, silver or platinum group metals (except watches and watch casso) and goldsmiths, or silversmiths, wares (including set gems)
971	-	Gold, nonmonetary (excluding gold ores and concentrates)

(b) expenditures in the currency of the Recipient or for goods or services

supplied from the territory of the Recipient, excluding, if the currency of the Recipient is also that of another country, expenditures in such currency for goods or services supplied from the territory of such other country;

(c) payments made for expenditures prior to the date of this Agreement (i.e., August 31, 1990);

(d) expenditures for goods procured under contracts costing less than \$5,000 equivalent;

(e) expenditures for goods supplied under a contract which any national or international financing institution or agency other than the Administrator shall have financed or agreed to finance; and

(f) expenditures for goods intended for a military or paramilitary purpose or for luxury consumption.

3. No withdrawal shall be made and no commitment shall be entered into to pay amounts to or on the order of the Recipient in respect of expenditures to be financed out of the proceeds of the Dutch Grant under Category (1) of paragraph 1 of this Schedule:

(a) after the aggregate of such proceeds of the Dutch Grant withdrawn from the Dutch Grant Account and the total amount of such commitments shall have reached the equivalent of f. 4,300,000, unless the Administrator shall be satisfied, based on evidence satisfactory to the Administrator, that f. 2,000,000 equivalent shall have been expended by the Recipient after June 30, 1992 on the activities described, and in accordance with the budget set forth, in the Program Expenditures Table; and

(b) after such aggregate and total shall have reached the equivalent of f.6,300,000, unless the Administrator shall be satisfied, after an exchange of views as described in Section 3.01 of the Development Credit Agreement based on evidence satisfactory to the Administrator: (i) with the progress achieved by the Recipient in the carrying out of the Program (ii) that the actions described in paragraph 5 below have been taken, and (iii) that f. 4,000,000 equivalent shall have been expended by the Recipient after June 30, 1992 on the activities described, and in accordance with the budget set forth, in the Program Expenditures Table.

4. If, after the exchange of views described in paragraph 3(b) above, the Administrator shall have given notice to the Recipient that the progress achieved and actions taken are not satisfactory and, within 90 days after such notice, the Recipient shall not have achieved progress and taken actions satisfactory to the Administrator, then the Administrator may, by notice to the Recipient, cancel the unwithdrawn amount of the Dutch Grant or any part thereof.

5. The actions referred to in paragraph 3 (b) (ii) above are the following:

a. Modification, to the satisfaction of the Administrator, of the convention, dated September 10, 1985, between the Recipient and Cotontchad and all other relevant legal texts to conform to: (i) the revised pricing formula for farmers agreed upon with the Administrator, (ii) the revised surplus distribution formula between Cotontchad and Government agreed upon with the Administrator, and (iii) liquidation of Cotton Price Stabilization Fund.

b. Adoption and implementation by Cotontchad of a commercial policy for oil and soap production acceptable to the Administrator.

c. Implementation of the action plan agreed upon with the Administrator regarding the recommendations set forth in the financial audit of Cotontchad for its fiscal year ending October 31, 1991.

d. Receipt by the Administrator of (i) a financial audit, of such scope and detail as the Administrator shall have reasonable requested and made in accordance with appropriate auditing principles consistently applied, prepared by independent auditors acceptable to the Administrator, of Cotontchad's records and accounts for its fiscal year ending October 31, 1992, together with explanations by Cotontchad of any

deviations between its initial budget for such year and actual expenditures, and (ii) adoption of an action plan, acceptable to the Administrator, to implement the recommendations of such. audit.

e. (i) Completion of a technical audit of Cotontchad's operations, under terms if reference acceptable to the Administrator, (ii) adoption of an action plan, acceptable to the Administrator, to implement the auditor's recommendations, and (iii) implementation, to the satisfaction of the Administrator, of the actions set out in such action plan relating either to the cotton ginning activities or to the oil/soap production activities.

f. Adoption by the Recipient and Cotontchad of an action plan, acceptable to the Administrator, for settlement of the cross-debt situation between the Recipient and Cotontchad.

g. Application of the revised pricing and surplus distribution formulas, agreed upon with the Administrator, to Cotontchad Is activities beginning with its 1990-1991 campaign.

