

**CONFORMED COPY**

**CREDIT NUMBER 3714 CD**

# **Development Credit Agreement**

**(Critical Electricity and Water Services Rehabilitation Project)**

**between**

**REPUBLIC OF CHAD**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated October 29, 2002**

**CREDIT NUMBER 3714 CD**

**DEVELOPMENT CREDIT AGREEMENT**

AGREEMENT, dated October 29, 2002, between REPUBLIC OF CHAD (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) Parts A, B, C and D.1 of the Project will be carried out by *Société Tchadienne d'Eau et d'Electricité* (STEE) with the Borrower's assistance and, as part of such assistance, the Borrower will make part of the proceeds of the credit provided for in Article II of this Agreement (the Credit) available to STEE, as set forth 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 agreement of even date herewith between the Association and STEE (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 (as amended through October 6, 1999) (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 and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Consultation Liaison Group" means the group to be established by STEE, as part of the Environmental and Resettlement Committee (as hereinafter defined), comprising representatives from each of the following: STEE, the Management

Contractor (as hereinafter defined), MEW (as hereinafter defined), MATUH (as hereinafter defined), the Municipality of N' Djamena, persons living in the areas of Project implementation, and civil society, and referred to in paragraph 2 (d) of Schedule 4 to this Agreement;

(b) "CTSPU" means *Celulle Technique de Suivi du Programme d'Urgence de la STEE*, a technical working group established by the Borrower within MME (as hereinafter defined), pursuant to *Arrêté* No. 012/MMEP/2002, dated March 25, 2002, with membership, including the Director of Finance of STEE and the respective Directors of : (i) Energy in MME; (ii) Hydraulics in MEW; (iii) Programming, Financing and Supervision of Programs and Projects in MPDC (as hereinafter defined); (iv) Forests and Environmental Protection in MEW; and (v) Budget in MEF (as hereinafter defined);

(c) "EMP" means the Environmental Management Plan dated June 28, 2002, describing measures for the mitigation of potential environmental impacts of the Project, as the same may be updated from time to time with the agreement of the Association, and referred to in Part C.4 of Schedule 2 to this Agreement;

(d) "Environmental and Resettlement Committee" means the committee to be established by STEE, and referred to in paragraph 2 (c) of Schedule 4 to this Agreement;

(e) "FCFA" means *Franc de la Coopération Financière en Afrique Centrale*, the currency of the Borrower;

(f) "Financial Management Report" or "FMR" means each report prepared in accordance with Section 4.02 of the Project Agreement (as hereinafter defined);

(g) "First Phase" means the first phase of the Borrower's Investment Program (as hereinafter defined), to be financed by the proceeds of the Credit;

(h) "Fiscal Year" means STEE's financial year, commencing on January 1 of each calendar year and ending on December 31 of each calendar year;

(i) "Investment Program" means the Borrower's five year Investment Program for its electricity and water sectors, as set forth in the document entitled *Réunion des bailleurs de fonds – document préparatoire*, dated July, 2001;

(j) "Management Contract" means the agreement, dated January 28, 2000, among the Borrower, STEE, and the informal joint venture constituted by VIVENDI and DIETSMANN (the Management Contractor), to manage the Borrower's electricity and water sectors, provided, however that the terms "Management Contract" and

“Management Contractor” shall be deemed to refer equally to any similar arrangements entered into by the Borrower with any other private entity(ies), with the agreement of the Association;

(k) “Memorandum of Understanding” means an agreement to be entered into among the Borrower, STEE and the Municipality of N’ Djamena for purposes of setting forth the implementation arrangements for Part A.3 of the Project;

(l) “MATUH” means *Ministère de l’ Aménagement du Territoire, de l’Urbanisme et de l’Habitat*, the Borrower’s Ministry of Territorial Planning, Urban Development and Housing;

(m) “MEF” means *Ministère de l’Economie et des Finances*, the Borrower’s Ministry of Economy and Finance;

(n) “MEW” means *Ministère de l’Environnement et de l’Eau*, the Borrower’s Ministry of Environment and Water;

(o) “MME” means *Ministère des Mines et de l’Energie*, the Borrower’s Ministry of Mines and Energy;

(p) “MOP” means *Ministère du Pétrole*, the Borrower’s Ministry of Petroleum;

(q) “MPDC” means *Ministère du Plan, du Développement et de la Coopération*, the Borrower’s Ministry of Planning, Development and Cooperation;

(r) “PIP” means the project implementation plan referred to in Section 6.01 (b) of this Agreement, specifying, *inter alia*, the procedures, timetables, procurement plans, and other arrangements agreed upon between the Borrower and STEE, for purposes of implementation of the Project, as the same may be amended from time to time with the agreement of the Association;

(s) “Pricing Guidelines” means the guidelines set forth in *Arrêté* No. 002/PM/MF/2002 dated January 7, 2002, for the setting of prices of petroleum products from the Sedigi Basin;

(t) “Project Agreement” means the agreement between the Association and STEE 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;

(u) “Project Preparation Advance” means the project preparation advance granted by the Association to the Borrower pursuant to the letter agreement signed on behalf of the Association on March 29, 1999 and on behalf of the Borrower on April 27, 1999;

(v) “RAP” means the Resettlement Action Plan dated June 28, 2002, and referred to in Part C.4 of Schedule 2 to this Agreement;

(w) “Second Phase” means the second phase of the Borrower’s Investment Program, referred to in Part D.1 and D.2 of Schedule 2 to this Agreement;

(x) “Special Account” means the account referred to in Section 2.02 (b) of this Agreement;

(y) “STEE” means the *Société Tchadienne d’ Eau et d’ Electricité*, a state owned company established and operating under the Borrower’s laws and regulations, pursuant to its statutes dated December 31, 1999 (the STEE Statutes); and

(z) “Subsidiary Loan Agreement” means the agreement to be entered into between the Borrower and STEE pursuant to Section 3.01 (d) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Loan Agreement.

## 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 forty-one million four hundred thousand Special Drawing Rights (SDR 41,400,000).

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 works, goods and services required for the Project and to be financed out of the proceeds of the Credit.

(b) The Borrower may, for the purposes of the Project, cause STEE to open and maintain in FCFA a special deposit account for the Project, 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 canceled.

Section 2.03. The Closing Date shall be March 31, 2005, 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 canceled; 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), (c) and (d) 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, 2013, and ending August 15, 2042. Each installment to and including the installment payable on August 15, 2022 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 per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; 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 repayment of installments under paragraph (a) above by:

- (A) 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; and
- (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided,

however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above 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.

(d) 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 French Republic is hereby specified for the purposes of Section 4.02 of the General Conditions.

Section 2.09. The *Administrateur Général* of STEE is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V 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: (i) Part D.2 of the Project through MME with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering, environmental, resettlement and technical practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project; and (ii) its obligations under the Management Contract, and ensure that STEE and the Management Contractor carry out their respective obligations without undue interference.

(b) Without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, the Borrower shall cause STEE to perform in accordance with the provisions of the Project Agreement all the obligations of STEE therein set forth, and shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable STEE to perform its 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 paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out Part D.2 of the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

(d) For purposes of Parts A, B, C and D.1 of the Project, the Borrower shall relend the proceeds of the Credit from time to time allocated to Categories 1, 2, and 3 (b) of the table in paragraph 1 of Schedule 1 of this Agreement to STEE under a Subsidiary Loan Agreement to be entered into between the Borrower and STEE, under terms and conditions which shall have been approved by the Association and shall include the following:

- (i) the principal amount of the subsidiary loan shall be repaid by STEE in FCFA to the Borrower in annual installments over twenty-two (22) years, including a grace period of seven (7) years;
- (ii) the principal amount of the subsidiary loan repayable by STEE shall be the equivalent in FCFA of the value of the currency or currencies withdrawn from the Credit Account in respect of the above mentioned categories, determined as of the date, or respective dates of repayment;

- (iii) interest shall be charged on the outstanding balance of the subsidiary loan at an annual interest rate of three-fourths of one percent ( $3/4$  of 1%) per annum on the principal amount for the first seven (7) years and seven percent (7%) thereafter, provided, however, that the principal amount of the subsidiary loan allocated to the water sector shall be repaid by STEE to the Borrower in annual installments over forty (40) years, including a grace period of ten (10) years, with interest charged on the outstanding balance of the subsidiary loan at an annual interest rate of three-fourths of one percent ( $3/4$  of 1%) per annum; and
- (iv) the Borrower shall bear the foreign exchange risks.

(e) 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 Schedule 3 to this Agreement.

Section 3.03. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Borrower shall:

- (a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months before the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan for the future operation of the Project and the carrying out of the Second Phase of the Investment Program; and
- (b) afford the Association a reasonable opportunity to exchange views with the Borrower on said plan.

Section 3.04. 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) in respect of Parts A, B, C and D.1 of the Project shall be carried out by STEE pursuant to Section 2.03 of the Project Agreement.

## 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 Part D.2 of the Project.

(b) The Borrower shall:

- (i) have the records, accounts and financial statements referred to in paragraph (a) of this Section, and the records and accounts for the Special Account for each fiscal year, audited in accordance with auditing standards acceptable to the Association, consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish, or cause to be furnished to the Association as soon as available, but in any case no later than six months after the end of each such year: (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such period as so audited, and (B) an opinion on such statements, records and accounts and 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 such records and accounts, and the audit thereof, and concerning said auditors, as the Association may 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:

- (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 report 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.

Section 4.02. Notwithstanding the provisions of Section 4.01 (a), (b) and (c) above, the Borrower shall: (i) ensure that MME provides to STEE all such information as may be required with respect to expenditures incurred by MME in the implementation of Part D.2 of the Project, in a timely manner, for purposes of enabling STEE to prepare consolidated financial statements and FMRs for the Project in its entirety; and (ii) cause STEE to carry out an annual audit for the Project in its entirety, as set forth in Section 4.01 of the Project Agreement.

## ARTICLE V

### Remedies of the Association

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

(a) STEE 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 STEE will be able to perform its obligations under the Project Agreement.

(c) The Borrower or STEE shall have failed to perform any of their respective obligations under the Subsidiary Loan Agreement.

(d) The STEE Statutes governing the operations of STEE shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of STEE to carry out Parts A, B, C and D.1 of the Project.

(e) The Borrower or STEE shall have failed to perform any of their respective obligations under the Management Contract.

(f) Law No. 014/PR/99 or Law No. 016/PR/99 of the Borrower shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of STEE to perform any of its obligations under the Project Agreement.

Section 5.02. Pursuant to Section 7.01 (h) 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) any of the events specified in paragraphs (c) (d), (e) and (f) 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 has been executed on behalf of the Borrower and STEE;

(b) The Borrower has submitted a PIP in form and substance satisfactory to the Association; and

(c) STEE has:

(i) strengthened its financial management system in accordance with an action plan agreed upon with the Association, such plan including: (A) the establishment of a Project accounting system satisfactory to the Association; and (B) the appointment, in accordance with the provisions of Section II of Schedule 3 to this Agreement, of the auditors referred to in Section 4.01 (b) of the Project Agreement, under terms and conditions acceptable to the Association; and

(ii) submitted to the Association its audited financial statements for its Fiscal Year 2001.

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 by STEE, and is legally binding upon STEE in accordance with its terms; and

(b) that the Subsidiary Loan Agreement has been duly authorized by the Borrower and STEE and is legally binding upon the Borrower and STEE 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. Except as provided in Section 2.09 of this Agreement, the minister responsible for Planning, Development and Cooperation of the Borrower 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:

Ministry of Planning, Development and Cooperation  
B.P. 286  
N'Djamena  
Republic of Chad

Telex:

5329KD

Facsimile:

(235) 51 51 85

For the Association:

International Development Association  
1818 H Street, N.W.

**Washington, D.C. 20433**

United States of America

Cable address:

INDEVAS  
Washington, D.C.

Telex:

248423 (MCI) or  
64145 (MCI)

Facsimile:

(202) 477-6391

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.

REPUBLIC OF CHAD

By /s/ Hassaballah Ahmat Soubiane  
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Ali Mahmoud Khadr  
(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:

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Works for Parts A.1, A.2 and B.1 of the Project	3,700,000	100% of foreign expenditures and 80% of local expenditures
(2) Goods		100% of foreign expenditures and 80% of local expenditures
(a) Parts A.1, A.2, A.4, B.1 B.2, B.3, C.1 and C.4 of the Project	24,200,000	
(b) Petroleum and Chemical Products under Part C.3 of the Project	3,400,000	
(c) Part A.3 of the Project	1,200,000	
(3) Consultants' services and Audits		100% of foreign expenditures and 82% of local expenditures
(a) Part D.2 of the Project	1,200,000	
(b) Parts A.1, A.2, A.5, B.1, B.3, C.1, C.2. C.4, and D.1 of the Project	2,400,000	

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(4) Operating Costs	100,000	80%
(5) Refunding of Project Preparation Advance	1,500,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(6) Unallocated	3,700,000	
	<hr/>	
	41,400,000	
	<hr/>	
TOTAL	<hr/> <hr/>	

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;

(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”; and

(c) the term “Operating Costs” means the incremental expenses incurred for Project implementation by the CTSPU, for office equipment and supplies, water, electricity, telecommunications, printing, transport, fuel, and office rehabilitation of the Energy Division of MME, but excluding the salaries of the Borrower’s civil servants.

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 SDR 400,000, may be made on account of payments made for expenditures before that date but after January 1, 2002; and (b) expenditures incurred under Category 2 (c) for Part A.3 of the Project, prior to the execution of a Memorandum of Understanding by the Borrower, STEE and the Municipality of N’Djamena.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for contracts for: (a) goods estimated to cost less than \$200,000 each; (b) works estimated to cost less than \$500,000 equivalent each; (c) consulting firms estimated to cost less than \$100,000 equivalent each; and (d) individual consultants estimated to cost less than \$50,000 each, under such terms and conditions as the Association shall specify by notice to the Borrower.

## **SCHEDULE 2**

### **Description of the Project**

The objectives of the Project are to: (a) secure the delivery of basic electricity and water services in N'Djamena and selected urban centers; (b) reduce the cost of providing electricity and water by improving the technical, financial and environmental performance of STEE; and (c) increase private sector participation in the Borrower's electricity and water sectors.

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:**           Rehabilitation and Expansion of Urban Electricity Production, Transmission and Distribution Systems

1.       Rehabilitation and expansion of the Borrower's urban electricity production facilities and transmission systems in N' Djamena, Moundou, Sarh, Abeche, Doba, Bongor and Faya-Largeau, through: (a) the acquisition and installation of thermal electricity generators, and conversion of selected existing generators in the N'Djamena power plant to operate on crude oil and fuel oil; (b) strengthening and expansion of existing electricity transmission systems; and (c) rehabilitation of existing generators and carrying out of maintenance programs.
2.       Rehabilitation and expansion of the electricity distribution networks in N'Djamena, Moundou, Sarh, Doba, Abeche, Bongor and Faya-Largeau.
3.       Rehabilitation of selected street lighting facilities in N'Djamena, through the acquisition of equipment.
4.       Acquisition of spare parts, equipment and tools to assist STEE in building an inventory of supplies.
5.       Carrying out of studies, including: (i) an assessment of the feasibility of importing fuel oil from Cameroon and Nigeria; and (ii) an evaluation of existing electricity generators, through the provision of technical advisory services.

Part B: Rehabilitation and Expansion of Urban Water Supply System

1. Rehabilitation and expansion of the Borrower's urban water production facilities and distribution systems in N' Djamena, Moundou, Sarh, Moussoro, Doba, Mao, Fianga, Bongor and Abeche.
2. Rehabilitation of customer water connections and meters, and acquisition of spare parts, equipment and tools to assist STEE in building an inventory of supplies.
3. Carrying out of a study to assess water losses and establishment of a monitoring system, through the provision of technical advisory services and goods.

Part C: Improvement in the Technical, Financial and Environmental Performance of STEE and Personnel Safety Standards

1. Improvement of the technical and financial performance of STEE, through: (i) establishment of a commercial management information system; and (ii) strengthening of STEE's operational capacity, through the provision of technical advisory services and the acquisition of goods, including computer hardware and software, office equipment, and vehicles.
2. Payment of the fees and expenses of STEE's Management Contractor for services provided under the Management Contract.
3. Purchase of petroleum, and chemical products for treatment of drinking water.
4. Carrying out of environmental and personnel safety measures by STEE, including: (a) preparation of an EMP and a RAP for the resettlement of approximately twenty (20) families, and implementation of the measures set forth in the said EMP and RAP; (b) carrying out a baseline survey to collect data on air and water pollution at the existing power plant in N' Djamena; and (c) introduction of security measures to reduce unauthorized access to STEE's premises, and the purchase of safety equipment for staff.

Part D: Preparatory Activities for the Second Phase of the Borrower's Investment Program and Project Oversight

1. Carrying out of the following preparatory activities for the Second Phase of the Borrower's Investment Program: (a) an environmental audit of the electricity and water sectors; (b) strategic environmental and social assessments of the Borrower's electricity and water sectors; (c) development of a prepayment system for public sector electricity accounts, a strategy for the payment of the public sector's electricity and water consumption, and a financing mechanism to meet the costs of customer electricity and

water connections; (d) development of a human resource policy and guidelines; (e) establishment of an inventory management system; (f) preparation of a staff training program on accounting and financial management, maintenance of electrical and water facilities, security, environmental management, and computer operations; and (g) an assessment of technical options for the acquisition of new generators, and preparation of bidding documents for investments in the Second Phase of the Borrower's Investment Program, through the provision of technical advisory services.

2. Strengthening the operational capacity of CTSPU to monitor and evaluate Project implementation, and to carry out the following preparatory activities for the Second Phase of the Borrower's Investment Program: (a) the financial restructuring of the Borrower's electricity and water sectors; (b) implementation of the regulatory framework for the Borrower's electricity and water sectors, including the establishment of regulatory institutions; (c) updating the master plan for the electricity sector, and preparation of a strategy and action plan for the urban and rural sectors; (d) preparation of a strategy and master plan for investments in the Borrower's water sector; (e) completion of the selection process for firms for the construction of the Sedigi oil pipeline and the N'Djamena mini-oil refinery; and (f) capacity building of staff of STEE and the Borrower's MEW and MOP in Project preparation, evaluation, procurement, environmental management and setting of tariffs.

\* \* \*

The Project is expected to be completed by September 30, 2004.

### **SCHEDULE 3**

#### **Procurement**

Section I.      Procurement of Goods and Works

Part A:        General

Goods and works shall be procured in accordance with (a) the provisions of Section I of the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and the provisions of the following Parts of this Section I.

Part B:        International Competitive Bidding

1.        Except as otherwise provided in Part C of this Section, goods and works shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2.        The following provisions shall apply to goods and works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a)      Prequalification

Bidders for each contract estimated to cost \$1,000,000 or more, shall be prequalified in accordance with the provisions of paragraphs 2.9 and 2.10 of the Guidelines.

(b)      Notification and Advertising

The invitation to prequalify or bid for each contract estimated to cost \$10,000,000 equivalent or more shall be advertised in accordance with the procedures applicable to large contracts under paragraph 2.8 of the Guidelines.

Part C: Other Procurement Procedures

1. National Competitive Bidding

(a) Works estimated to cost less than \$500,000 equivalent per contract, up to an aggregate amount not to exceed \$2,500,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) Goods estimated to cost more than US\$30,000, but less than \$200,000 equivalent per contract, up to an aggregate amount not to exceed \$1,500,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. International or National Shopping

Goods estimated to cost less than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$200,000 equivalent, may be procured under contracts awarded on the basis of international/national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Direct Contracting

Goods which are of a proprietary nature and costing \$4,000,000 equivalent or less in the aggregate, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.



2. Prior Review

With respect to each contract for: (a) works estimated to cost the equivalent \$500,000 or more; and (b) goods estimated to cost the equivalent of \$200,000, or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with (a) the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Association in January 1997 and revised in September 1997, January 1999 and May 2002 (the Consultant Guidelines) paragraph 1 of Appendix 1 thereto, Appendix 2 thereto, and the following provisions of this Section II.

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants for services estimated to cost less than \$50,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines and footnote 8 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Least-cost Selection

Services for financial audits estimated to cost less than 50,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.4 of the Consultant Guidelines.

Part D: Review by the Association of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2, 3 and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

## SCHEDULE 4

### Implementation Program

1. Project Management:

(a) PIP

The Borrower shall carry out the Project in accordance with the PIP, and except as the Association shall otherwise agree, the Borrower shall not amend or waive any provision of the PIP, if such amendment or waiver may, in the opinion of the Association, materially or adversely affect the implementation of the Project.

(b) CTSPU

The Borrower shall: (i) maintain until the completion of the Project the CTSPU, under terms of reference acceptable to the Association, including, *inter alia*, the overall coordination and supervision of Project implementation, the review and approval of all procurement under the Project, the preparation of quarterly progress reports, and the implementation of Part D.2 of the Project, on behalf of MME; and (ii) appoint to the CTSPU, a procurement specialist and an engineering consultant, under terms of reference and with qualifications and experience satisfactory to the Association, by October 31, 2002, in accordance with Section II of Schedule 3 to this Agreement.

2. Safeguard Policies:

(a) The Borrower shall cause STEE to implement Parts A, B, C and D.1 of the Project in accordance with the EMP and the RAP, and except as the Association shall otherwise agree, the Borrower shall not amend or waive any provision of the aforementioned, if such amendment or waiver may, in the opinion of the Association, materially or adversely affect the implementation of the Project.

(b) Without limitation to the generality of paragraph (a) of this Section, the Borrower shall, with respect to the implementation of the EMP, provide training on environmental management to staff from MME, MEW and MOP, and cause STEE to carry out the following actions: (i) improvements in the conditions of transport, storage and handling of hydrocarbons; (ii) development of environmental safety measures for electricity generators and for the protection of staff; (iii) specification of environmental standards to be complied with in the bidding documents for the procurement of electricity generators; and (iv) training of its staff on environmental management.

(c) Without limitation to the generality of paragraph (a) of this Section, the Borrower shall: (i) cause STEE to set up by October 31, 2002, the Environmental and Resettlement Committee, under terms of reference acceptable to the Association, to oversee the implementation of the environmental and social aspects of the Project throughout Project implementation; (ii) cause the Environment and Resettlement Committee to implement the RAP by April 1, 2003; (iii) follow the compensation standards set forth in the RAP, and provide the necessary land required for resettlement purposes to the beneficiaries, with security of tenure through the provision of title deeds to such beneficiaries.

(d) The Borrower shall cause STEE to, no later than October 31, 2002, establish a Consultation Liaison Group, acceptable to the Association, to be maintained throughout Project implementation to consult with members of the public in the Project implementation areas, regarding any issues that may arise in the course of Project implementation and propose appropriate mitigation measures, satisfactory to the Association.

3. Implementation Generally:

The Borrower shall:

(a) submit to the Association for its prior review and approval all agreements related to the financing, construction, management and operation of the N'Djamena mini-oil refinery and the Sedigi-N'Djamena pipeline facilities, including the related environmental management plans, as set forth in Part D.2 of the Project;

(b) pay its electricity and water bills in accordance with the terms and conditions set forth in a memorandum of understanding dated March 16, 2001, between the Borrower and STEE;

(c) not take any actions that would, in the opinion of the Association, have an adverse impact on the financial viability of the electricity and water supply sectors and require the payment of subsidies by the Borrower;

(d) set the price of heavy fuel oil from the N'Djamena oil refinery and the price of crude oil and the associated gas from the Sedigi oil field in accordance with the Pricing Guidelines, so as to enable STEE to reduce its electricity production costs by at least sixty percent (60%) by the end of Project implementation;

(e) ensure that the associated gas from the Sedigi oil field is put to its best economic use;

(f) ensure that a Management Contractor, acceptable to the Association, is maintained throughout the Project implementation period; and

(g) ensure that the Management Contractor and/or its affiliates do not bid for the provision of goods or works, or provide consultancy services under the Project.

4. Progress Reporting:

The Borrower shall cause CTSPU to:

(a) prepare quarterly progress reports under terms of reference satisfactory to the Association, no later than September 30, December 31, March 31 and June 30 of every year, commencing December 31, 2002, providing all such information as shall not have been reflected in the FMRs on the progress achieved in carrying out the Project during the period preceding the date of the said reports, including but not limited to: (i) the implementation of the EMP and the RAP; and (ii) the status of payment to STEE of the Borrower's electricity and water bills.

(b) hold quarterly meetings with the Association, STEE and such other persons as may be agreed upon from time to time, no later than one month after the submission of the reports referred to in paragraph (a) of this Section, or such later date as the Association may agree, to review the said reports and thereafter take or cause STEE to take all such measures as may be required to ensure the efficient completion of the Project, and the achievement of the objectives thereof, based on the conclusions and recommendations of the said reports and meetings, and the Association's views on the matter.

5. Mid-term Review:

The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in Schedule 6 to this Agreement, the carrying out of the Project and the achievement of the objectives thereof, including the implementation of the EMP and the RAP;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about September 30, 2003, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the

efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Association, by December 31, 2003, or such later date as the Association shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

## **SCHEDULE 5**

### **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, works 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 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3(a) of this Schedule, equivalent to FCFA 300,000,000, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to FCFA 150,000,000, until the aggregate amount of withdrawals from the Credit Account allocated to its eligible Categories plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 10,000,000.
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 deposit into the Special Account of an amount or amounts 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 equivalent amount, 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;

- (b) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b) ii of the Development Credit Agreement and Section 4.01 (b)(ii) of the Project Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

- (c) if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

- (d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories for the Special Account, minus the total amount of all outstanding special

commitments 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 paragraphs 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.

**SCHEDULE 6**

**Performance Monitoring Indicators**

Description	Level of Indicator in 2002	Expected Level of Indicator at the Specified Date	
<b>Electricity Production</b>			
Guaranteed Generating Capacity for N'Djamena	12.8 MW	22.5 MW	October 31, 2004
New Installed Generating Capacity for N'Djamena	-	20 MW	March 31, 2004
New Installed Generating Capacity for Moundou	-	3 MW	March 31, 2004
Average Generating Cost in N'Djamena	119 FCFA/kWh	47 FCFA/kWh	October 31, 2004
<b>Water Production</b>			
Number of operational wells in N'Djamena	19	26	October 31, 2004
<b>Electricity Distribution</b>			
Number of connections	16,224	17,324	October 31, 2004
Technical and Non-Technical Losses (% of energy delivered to the distribution network)	29 %	24%	October 31, 2004
Number of connections without a meter or with defective meter	2,300	1,300	October 31, 2004
<b>Water Distribution</b>			
Number of connections	20,503	21,200	October 31, 2004
Technical and Non-Technical Losses (% of water delivered to the distribution network)	30%	20%	October 31, 2004
Number of connections without a meter or with defective meter	3,000	1,500	October 31, 2004
<b>Quality Service</b>			
Electricity- Number of days per year in which there is a service interruption	250 days	50 days	October 31, 2004

Water- Number of days per year in which there is a service interruption	180 days	60 days	October 31, 2004
Average response time to customer requests	10 days	2 days	October 31, 2004
<b>Regulatory Framework</b>			
Signing of all enabling decrees related to the Electricity and Water sectors laws			October 31, 2004