

**CONFORMED COPY**

**CREDIT NUMBER 3714 CD**

# **Project Agreement**

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

**between**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**and**

**SOCIETE TCHADIENNE D'EAU ET D'ELECTRICITE**

**Dated October 29, 2002**

**CREDIT NUMBER 3714 CD**

**PROJECT AGREEMENT**

AGREEMENT, dated October 29, 2002, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and SOCIETE TCHADIENNE D' EAU ET D' ELECTRICITE (STEE).

WHEREAS (A) by the Development Credit Agreement of even date herewith between the Republic of Chad (the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to forty one million, four hundred thousand Special Drawing Rights (SDR 41,400,000), on the terms and conditions set forth in the Development Credit Agreement, but only on conditions that STEE agrees to undertake such obligations toward the Association as are set forth in this Agreement;

(B) by a Subsidiary Loan Agreement to be entered into between the Borrower and STEE, part of the proceeds of the credit provided for under the Development Credit Agreement will be made available to STEE on the terms and conditions set forth in said Subsidiary Loan Agreement; and

WHEREAS STEE, in consideration of the Association's entering into the Development Credit Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

**ARTICLE I**

**Definitions**

Section 1.01. Unless the context otherwise requires, the several terms defined in the Development Credit Agreement, the Preamble to this Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth.

## ARTICLE II

### Execution of the Project

Section 2.01. (a) STEE declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement, and, to this end, shall carry out Parts A, B, C and D.1 of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering, environmental, resettlement and technical practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Association and STEE shall otherwise agree, STEE shall carry out the Project in accordance with the Implementation Program set forth in the Schedule to this Agreement.

Section 2.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for Parts A, B, C and D.1 of the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to the Development Credit Agreement.

Section 2.03. (a) STEE shall carry out 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 the Project Agreement and Parts A, B, C and D.1 of the Project.

(b) For the purposes of Section 9.06 of the General Conditions and without limitation thereto, STEE shall:

- (i) assist the Borrower in the preparation, on the basis of guidelines acceptable to the Association, of a plan for the future operation of the Project and the Second Phase of the Investment Program for submission 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 Association, the Borrower and STEE; and
- (ii) participate, jointly with the Borrower and the Association, in the exchange of views on the said plan.

Section 2.04. STEE shall duly perform all its obligations under the Subsidiary Loan Agreement. Except as the Association shall otherwise agree, STEE shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the Subsidiary Loan Agreement or any provision thereof.

Section 2.05. (a) STEE shall, at the request of the Association, exchange views with the Association with regard to the progress of the Project, the performance of its obligations under this Agreement and under the Subsidiary Loan Agreement, and other matters relating to the purposes of the Credit.

(b) STEE shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of the Credit, or the performance by STEE of its obligations under this Agreement and under the Subsidiary Loan Agreement.

### **ARTICLE III**

#### **Management and Operations of STEE**

Section 3.01. STEE shall carry on its operations and conduct its affairs in accordance with sound administrative, financial, technical, commercial, environmental, resettlement, power utility and water distribution practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 3.02. STEE shall at all times operate and maintain its plant, machinery, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial, technical environmental and public utility practices.

Section 3.03. STEE shall take out and maintain with responsible insurers, or make other provision satisfactory to the Association for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

### **ARTICLE IV**

#### **Financial Covenants**

Section 4.01. (a) STEE shall maintain a financial management system, for Parts A, B, C and D.1 of the Project, including records and accounts, and financial statements in a format acceptable to the Association, adequate to reflect the operations, resources and expenditures related to both the Project and STEE's general operations.

- (b) STEE 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 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 copies of the financial statements referred to in paragraph (a) of this Section for such year 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, STEE shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and separate 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.

(d) Notwithstanding the provisions of Section 4.01 (a), (b), and (c) above, and as provided in Section 4.02 of the Development Credit Agreement, STEE shall prepare consolidated financial statements for the Project in its entirety in a timely manner, and cause such statements to be audited, in accordance with auditing standards acceptable to the Association, consistently applied, by independent auditors acceptable to the Association.

Section 4.02. (a) Without limitation upon STEE's progress reporting obligations set out in paragraph 3 and 4 of the Schedule to this Agreement and as provided in Section 4.02 of the Development Credit Agreement, STEE shall prepare and furnish to the Association a quarterly FMR for the Project in its entirety, in a form and substance satisfactory to the Association which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively, and for the period covered by said report, showing separately funds provided under the Credit, and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Association not later than 30 days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter each FMR shall be furnished to the Association not later than 30 days after each calendar quarter, and shall cover such calendar quarter.

**ARTICLE V**

**Effective Date; Termination;  
Cancellation and Suspension**

Section 5.01. This Agreement shall come into force and effect on the date upon which the Development Credit Agreement becomes effective.

Section 5.02. This Agreement and all obligations of the Association and of STEE thereunder shall terminate on the date on which the Development Credit Agreement shall terminate in accordance with its terms.

Section 5.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

**ARTICLE VI**

**Miscellaneous Provisions**

Section 6.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telex or facsimile to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. Deliveries made by facsimile transmission shall also be confirmed by mail. The addresses so specified are:

For the Association:

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

Cable address:

Telex:

Facsimile:

INDEVAS  
Washington, D.C.

248423 (MCI) or  
64145 (MCI)

(202) 477-6391

For STEE:

11 Colonel Largeau Street  
P.O Box 44, N' Djamena  
Chad

Cable address:	Telex:	Facsimile:
N/A	5226-KD	235-52-2134

Section 6.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of STEE, or by STEE on behalf of the Borrower under the Development Credit Agreement, may be taken or executed by the *Administrateur Général* or such other person or persons as STEE shall designate in writing, and STEE shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 6.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.



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.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Ali Mahmoud Khadr  
(Acting) Regional Vice President  
Africa Region

SOCIETE TCHADIENNE D' EAU ET D' ELECTRICITE

By /s/ Hassaballah Ahmat Soubiane  
Authorized Representative

## SCHEDULE

### Implementation Program

1. Project Management:

STEE shall:

(a) carry out the Project in accordance with the PIP, and except as the Association shall otherwise agree, 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) carry out, and cause the Management Contractor to carry out its obligations under the Management Contract in accordance with the terms and conditions of such Management Contract, and to this end shall subject to the approval of the Association amend its by-laws by October 31, 2002, to clarify the respective responsibilities of the Administrateur General of STEE and the Management Contractor.

(c) maintain a Management Contractor acceptable to the Association throughout Project implementation.

2. Implementation Generally:

(a) STEE shall 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, STEE shall ensure the following actions are taken with respect to implementation of the EMP: (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 staff on environmental management;

(c) Without limitation to the generality of paragraph (a) of this Section, STEE shall set up by October 31, 2002, and maintain throughout Project implementation under terms of reference acceptable to the Association, an Environmental and

Resettlement Committee to: (i) to implement the RAP by April 1, 2003; and (ii) oversee the implementation of all environmental and social aspects of the Project;

(d) STEE shall carry out an environmental audit of the electricity and water supply sectors by December 31, 2003, to identify, inter alia, existing pollution levels, environmental liabilities and clean-up measures, under terms of reference acceptable to the Association, as set forth in Part D.1 of Schedule 2 to the Development Credit Agreement;

(e) STEE shall carry out a strategic environmental and social assessment of the Borrower's electricity and water sectors, under terms of reference acceptable to the Association, by December 31, 2003, as set forth in Part D.1 of Schedule 2 to the Development Credit Agreement;

(f) STEE shall 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;

(g) STEE shall reduce its electricity production costs by at least 60% by the end of the Project implementation period; and

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

3. Progress Reporting:

STEE shall:

(a) provide the CTSPU with all such information as may be necessary to enable the CTSPU to prepare consolidated quarterly progress reports for the Project, referred to in paragraph 4 (a) of Schedule 4 to the Development Credit Agreement; and

(b) participate in the quarterly meetings referred to in paragraph 4 (b) of Schedule 4 to the Development Credit Agreement, and implement 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 report and meetings, and the Association's views on the matter.

4. Mid-term Review:

STEE shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators set forth in Schedule 6 to the Development Credit Agreement, the carrying out of Parts A, B, C and D.1 of the Project and the achievement of the objectives thereof, including the implementation of the EMP and RAP;

(b) participate, jointly with the Borrower in the mid-term review referred to in paragraph 5 (a) of the Development Credit Agreement, and 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 during the mid-term review 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.