
**OFFICIAL
DOCUMENTS**

CREDIT NUMBER 1265 SL

Development Credit Agreement

**(Power Sector Engineering and
Technical Assistance Project)**

between

SIERRA LEONE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated *July 8* **, 1982**

CREDIT NUMBER 1265 SL

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 8, 1982, between SIERRA LEONE (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS (A) the Borrower has requested the Association to assist in the financing of the foreign exchange cost of the Project described in Schedule 2 to this Agreement by extending the Credit as hereinafter provided;

(B) the Borrower intends to contract from the contributing parties to the OPEC Fund for International Development (hereinafter called the OPEC Fund) a loan (hereinafter called the FUND Loan) in an amount of not less than five million dollars (\$5,000,000) to assist in financing Parts B (1) and C of the Project on the terms and conditions set forth in an agreement (hereinafter called the Fund Loan Agreement) to be entered into between the Borrower and OPEC Fund;

(C) the Borrower, OPEC Fund and the Association intend to enter into an agreement (hereinafter called Memorandum of Agreement) making arrangements for the Association to process applications for withdrawal of the proceeds of the FUND Loan and of the Credit and regulating certain other matters of common interest in connection with the financing provided for the Project by the OPEC Fund and the Association;

(D) on July 5, 1982, the Sierra Leone Electricity Corporation (hereinafter called SLEC) was transferred to and vested in the National Power Authority (hereinafter called NPA) pursuant to Section 37 of the National Power Authority Act, 1982;

(E) the Project will be carried out by NPA with the Borrower's assistance and, as part of such assistance, the Borrower will make available to NPA the proceeds of the Credit and of the FUND Loan as hereinafter provided; 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 hereinafter set forth and in the Project Agreement of even date herewith between the Association and NPA;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The parties to this Agreement accept all the provisions of the General Conditions Applicable to Development Credit Agreements of the Association, dated June 30, 1980, with the same force and effect as if they were fully set forth herein (said General Conditions Applicable to Development Credit Agreements of the Association being hereinafter called the General Conditions).

Section 1.02. Wherever used in this Agreement, 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) "Project Agreement" means the agreement between the Association and NPA of even date herewith, as the same may be amended from time to time, and such term includes all schedules, and all agreements supplemental, to the Project Agreement;

(b) "National Power Authority" or "NPA" means the National Power Authority established under the National Power Authority Act, 1982;

(c) "Bumbuna Hydroelectric Project" means the hydroelectric project to be constructed at Bumbuna Falls on the River Seli in Sierra Leone;

(d) "Engineering Review Board" means the engineering review board to be established by NPA pursuant to Section 2.01 (b) of the Project Agreement;

(e) "free market price for similar fuel" means the price the Freetown Oil Refinery charges ships for bunker "C" fuel;

(f) "fiscal year" means the year starting April 1 and ending March 31; and

(g) "fuel adjustment clause" means the fuel adjustment clause as set forth in Notices of Tariffs for Electricity Supply published by the Borrower's Ministry of Energy and Power in the Sierra Leone Gazette.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions in the Development Credit Agreement set forth or referred to, an amount in various currencies equivalent to four million five hundred thousand Special Drawing Rights (SDR 4,500,000).

Section 2.02. The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and the Association, for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit.

Section 2.03. The Closing Date shall be June 30, 1985 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

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

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

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

Section 2.07. The Borrower shall repay the principal amount of the Credit in semiannual installments payable on each February 1 and August 1 commencing August 1, 1992, and ending February 1, 2032, each installment to and including the installment payable on February 1, 2002 to be one-half of one per cent (1/2 of 1%) of such principal amount, and each installment thereafter to be one and one-half per cent (1-1/2%) of such principal amount.

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. Without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, the Borrower shall cause NPA to perform in accordance with the provisions of the Project Agreement all the obligations therein set forth, shall take and cause to be taken all action, including the provision of funds (including foreign exchange), facilities, services and other resources, necessary or appropriate to enable NPA to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

Section 3.02. The Borrower shall promptly make available the proceeds of the Credit and of the FUND Loan to NPA as part of the Borrower's contribution to NPA's equity.

Section 3.03. The Borrower shall ensure that, upon any increase in the cost of fuel oil supplied to NPA, NPA promptly put into effect a corresponding increase in its electricity tariffs as required by the fuel adjustment clause.

Section 3.04. Until such time as NPA puts into effect the electricity tariff increases required under Section 4.03 of the Project Agreement, the Borrower shall provide to NPA, promptly as the case may require, adequate funds in the form of grants to enable NPA to achieve the rates of return specified in Section 4.04 of the Project Agreement.

Section 3.05. Without limitation or restriction upon its other obligations under this Agreement, the Borrower shall ensure that NPA meet its obligations to increase electricity tariffs in accordance with Section 4.03 of the Project Agreement.

Section 3.06. Except as the Association shall otherwise agree, the Borrower shall not amend, suspend, abrogate, repeal or waive the fuel adjustment clause.

ARTICLE IV

Remedies of the Association

Section 4.01. For the purposes of Section 6.02 of the General Conditions the following additional events are specified pursuant to paragraph (h) thereof:

(a) NPA 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 NPA shall be able to perform its obligations under the Project Agreement.

(c) The National Power Authority Act, 1982 shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of NPA to perform any of its obligations under the Project Agreement.

(d) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of NPA or for the suspension of its operations.

(e) (i) Subject to subparagraph (ii) of this paragraph:
(A) the right of the Borrower to withdraw the proceeds of the FUND Loan shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the Fund Loan Agreement, or (B) the FUND Loan shall have become due and payable prior to the agreed maturity thereof.

- (ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement and of NPA under the Project Agreement.

Section 4.02. For the purposes of Section 7.01 of the General Conditions, the following additional events are specified pursuant to paragraph (d) thereof:

(a) the event specified in Section 4.01 (a) 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 NPA;

(b) any event specified in Section 4.01 (b), (c) and (d) of this Agreement shall occur; and

(c) the event specified in Section 4.01 (e) (i) (B) of this Agreement shall occur, subject to the proviso of Section 4.01 (e) (ii).

ARTICLE V

Effective Date; Termination

Section 5.01. 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) that the Association has received evidence satisfactory to the Association that the transfer to and vesting in NPA of the rights, privileges and obligations of SLEC pursuant to the National Power Authority Act, 1982 is in full force and effect;

(b) that the Association has received evidence, satisfactory to the Association, that: (i) the price of fuel supplied to

NPA has been fully adjusted to correspond to the free market price for similar fuel; and (ii) a revision to the fuel adjustment clause, satisfactory to the Association, has been made to incorporate the adjusted price of fuel referred to in subparagraph (i) hereof as the base price for the fuel adjustment clause; and

(c) that the CPEC Fund has notified the Association that all conditions precedent to the first disbursement of the FUND Loan have been fulfilled subject only to the effectiveness of this Agreement.

Section 5.02. The following are specified as additional matters, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association:

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

(b) that the transfer to and vesting in NPA of the rights, privileges and obligations of SLEC, pursuant to the National Power Authority Act, 1982, is in full force and effect.

Section 5.03. The date *October 6, 1982* is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VI

Representative of the Borrower; Addresses

Section 6.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purpose of Section 11.01 of the General Conditions:

For the Borrower:

The Financial Secretary
The Ministry of Finance
George Street
Freetown
Sierra Leone

Cable address:

MINFIN
Freetown

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:

440098 (ITT)
248423 (RCA) or
64145 (WUI)

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

SIERRA LEONE

By *15/ Dauda Kamara*

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By *15/ Xavier de la Renaudiere*
Acting Regional Vice President
Western 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 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) Consultant Services:		
(a) Preparation of Bumbuna Hydroelectric Project	3,240,000	100% of foreign expenditures
(b) Engineering Review Board	180,000	100% of foreign expenditures
(c) Freetown Oil Refinery Study	180,000	100% of foreign expenditures
(2) Improvements to the water cooling system at King Tom Station	450,000	100% of foreign expenditures
(3) Unallocated	450,000	
	<hr/>	
	TOTAL	
	4,500,000	
	<hr/>	

2. For the purposes of this Schedule the term "foreign expenditures" means expenditures in the currency of any country other than the Borrower and for goods or services supplied from the territory of any country other than the Borrower.

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

(a) expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower;

(b) payments made for expenditures prior to the date of this Agreement, except that withdrawals in an aggregate amount not exceeding the equivalent of one million five hundred thousand dollars (\$1,500,000) may be made in respect of Category (1) on account of payments made for such expenditures before that date but after March 31, 1981; and

(c) payments for taxes levied by, or in the territory of, the Borrower on goods or services, or on the importation, manufacture, procurement or supply thereof.

4. Notwithstanding the allocation of an amount of the Credit or the disbursement percentages set forth in the table in paragraph 1 above, if the Association has reasonably estimated that the amount of the Credit then allocated to any Category will be insufficient to finance the agreed percentage of all expenditures in that Category, the Association may, by notice to the Borrower: (i) reallocate to such Category, to the extent required to meet the estimated shortfall, proceeds of the Credit which are then allocated to another Category and which in the opinion of the Association are not needed to meet other expenditures; and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the disbursement percentage then applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made.

5. If the Association shall have reasonably determined that the procurement of any item in any Category is inconsistent with the procedures set forth or referred to in this Agreement, no expenditures for such item shall be financed out of the proceeds of the Credit and the Association may, without in any way restricting or limiting any other right, power or remedy of the Association under the Development Credit Agreement, by notice to the Borrower, cancel such amount of the Credit as, in the Association's reasonable opinion, represents the amount of such expenditures which would otherwise have been eligible for financing out of the proceeds of the Credit.

SCHEDULE 2

Description of the Project

The Project consists of the following Parts:

A. Preparation of Bumbuna Hydroelectric Project

- (1) Completion of detailed engineering, preparation of bid documents and assistance in evaluation of bids for the main civil works and engineering contracts for the Bumbuna Hydroelectric Project.
- (2) Establishment of an Engineering Review Board consisting of up to four internationally-recognized hydroelectric experts to advise the Borrower on the technical aspects of the Bumbuna Hydroelectric Project.
- (3) A study to assess the economic impact of the Bumbuna Hydroelectric Project on the Freetown Oil Refinery.

B. Rehabilitation of Existing Facilities

- (1) Maintenance of NPA's existing diesel generators and distribution systems involving the provision of essential spare parts and materials.
- (2) Maximization of power output at the King Tom Station through improvements to its cooling water system.

C. Institutional Changes and Training

- (1) A program of technical assistance to strengthen the management of NPA through an arrangement with an operating utility for the provision of a chief executive, an assistant general manager (finance), an assistant general manager (engineering) with responsibility for construction of the Bumbuna Hydroelectric Project, a financial controller and a chief accountant.
- (2) Overseas training for up to twelve selected NPA executives.

* * *

The Project is expected to be completed by December 31, 1984.

INTERNATIONAL DEVELOPMENT ASSOCIATION

CERTIFICATE

I hereby certify that the foregoing is a true copy of the original in the archives of the International Development Association.

In witness whereof I have signed this Certificate and affixed the Seal of the Association thereunto the 8th day of July, 1982.

S. V. Ch...
FOR SECRETARY