

CONFORMED COPY

CREDIT NUMBER 2385 ANG

(Power Sector Rehabilitation Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

EMPRESA NACIONAL DE ELECTRICIDADE

Dated July 20, 1992

CREDIT NUMBER 2385 ANG

ENE PROJECT AGREEMENT

AGREEMENT, dated July 20, 1992, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and EMPRESA NACIONAL DE ELECTRICIDADE (ENE).

WHEREAS (A) by the Development Credit Agreement of even date herewith between People's Republic of Angola (the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to twenty-four million five hundred thousand Special Drawing Rights (SDR 24,500,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that ENE agree to undertake such obligations toward the Association as are set forth in this Agreement;

(B) a portion of the proceeds of the credit provided for under the Development Credit Agreement will be transferred to ENE on a grant basis; and

WHEREAS ENE, 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 and in the General Conditions (as so defined) have the respective meanings therein set forth.

## ARTICLE II

### Execution of the Project

Section 2.01. ENE 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 B and C of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and public utility practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for Parts B and C of the Project.

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

Section 2.03. ENE 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 ENE Project Agreement and Parts B and C of the Project.

Section 2.04. (a) ENE shall, at the request of the Association, exchange views with the Association with regard to the progress of Parts B and C of the Project, the performance of its obligations under this Agreement and other matters relating to the purposes of the Credit.

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

## ARTICLE III

### Management and Operations of ENE

Section 3.01. ENE shall carry out its operations and conduct its affairs in accordance with sound administrative, financial and public utility practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 3.02. ENE 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 and power utility practices.

Section 3.03. ENE 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.

Section 3.04. ENE shall take all appropriate actions to collect electricity bills from all customers including public and private sector customers; such actions shall include systematic disconnection of said customers with over 60 days of arrears.

Section 3.05. ENE shall carry out and submit to the Association not later than June 30, 1994, an inventory and valuation of its assets.

Section 3.06. ENE shall implement Parts B and C of the Project through the project implementation unit established in accordance with Section 6.01 (c) of the Development Credit Agreement under terms of reference acceptable to the Association.

Section 3.07. (a) ENE shall carry out, jointly with the Association, not later than 24 months after the Effective Date, a mid-term review of the progress made in carrying out the Project. This review shall cover, among other things: (i) the pricing of electricity; (ii) the improvements in management, accounting and commercial operations in ENE; (iii) the financial performance of ENE; (iv) the effectiveness of

the technical assistance provided to date; and (v) the overall implementation of ENE's rehabilitation program.

(b) Based on such review, ENE shall promptly prepare an action program, acceptable to the Association, for the further implementation of the Project, and shall implement such action program.

#### ARTICLE IV

##### Financial Covenants

Section 4.01. (a) ENE shall maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition.

(b) ENE shall:

- (i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association as soon as available, but in any case not later than (9) nine months after the end of fiscal year 1992 and 1993, and (6) six months after the end of each such year thereafter: (A) certified copies of its financial statements for such year as so audited; and (B) the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning said records, accounts and financial statements as well as the audit thereof, as the Association shall from time to time reasonably request.

#### 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. (a) This Agreement and all obligations of the Association and of ENE thereunder shall terminate on the earlier of the following two dates:

- (i) the date on which the Development Credit Agreement shall terminate in accordance with its terms; or
- (ii) the date fifteen years after the date of this Agreement.

(b) If the Development Credit Agreement terminates in accordance with its terms before the date specified in paragraph (a) (ii) of this Section, the Association shall promptly notify ENE of this event.

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, telegram, cable, 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. 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:

INDEVAS  
Washington, D.C.

Telex:

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

For ENE:

Empresa Nacional de Electricidade - ENE  
Predio Geominas 6o e 7o: Andares  
C.P. 772 - Luanda

Telex:

3170 ENE AN

Facsimile:

323382, 322839,  
392764

Telephone:

323568, 323382,  
321499, 330161

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 ENE, or by ENE on behalf of the Borrower under the Development Credit Agreement, may be taken or executed by the Director General or such other person or persons as the Director General shall designate in writing, and ENE 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/ Edward V.K. Jaycox

Regional Vice President  
Africa

EMPRESA NACIONAL DE ELECTRICIDADE

By /s/ Afonso van Dunem

Authorized Representative

SCHEDULE

## Procurement and Consultants' Services

### Section I: Procurement of Goods and Works

#### Part A: International Competitive Bidding

Except as provided in Part C hereof, goods and works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).

#### Part B: Preference for Domestic Manufacturers

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

#### Part C: Other Procurement Procedures

1. Items or groups of items for goods up to an aggregate amount equivalent to \$130,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.
2. Items or groups of items for goods estimated to cost the equivalent of \$250,000 or less per contract, up to an aggregate amount equivalent to \$1,490,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers from at least two different countries eligible under the Guidelines, in accordance with procedures acceptable to the Association.

#### Part D: Review by the Association of Procurement Decisions

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

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

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

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

##### 2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

### Section II: Employment of Consultants

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

