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CREDIT NUMBER 4032 RW

Public Disclosure Authorized

# Development Credit Agreement

(Urgent Electricity Rehabilitation Project)

between

REPUBLIC OF RWANDA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated February 23, 2005

CONFORMED COPY

CREDIT NUMBER 4032 RW

**DEVELOPMENT CREDIT AGREEMENT**

AGREEMENT, dated February 23, 2005, between REPUBLIC OF RWANDA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received a letter from the Borrower, dated January 19, 2005, describing a program of policies and actions designed to promote activities that will increase access to electricity, provide quality- and cost-effective electricity to economic agents and the general population, while ensuring financial viability for economic agents involved in the production, transportation, and distribution of electricity and the protection of the environment (the Program) and declaring the Borrower's commitment to the execution of such program;

(B) the Borrower, having satisfied itself as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), has requested the Association to assist in the financing of the Project;

(C) Parts A, B.1-2, and C.1 of the Project will be carried out by *Etablissement Public de Production, de Transport, et de Distribution d'Electricité, d'Eau, et de Gaz* (ELECTROGAZ, as hereinafter defined) with the Borrower's assistance and, as part of such assistance, the Borrower will make the proceeds of the credit provided for in Article II of this Agreement (the Credit) available to ELECTROGAZ, 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 ELECTROGAZ (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 May 1, 2004), with the modification set forth below (the General Conditions), constitute an integral part of this Agreement:

Section 6.03 (c) of the General Conditions is amended by replacing the words “corrupt or fraudulent” with the words “corrupt, fraudulent, collusive or coercive”.

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) “Annual Work Plan” means to the plan referred to in Part D.1 of Schedule 4 to this Agreement;

(b) “Contract for the Management of ELECTROGAZ” means the contract for the management of ELECTROGAZ (as hereinafter defined) signed on behalf of the Borrower on August 28, 2003 and Lahmeyer International GmbH on September 5, 2003;

(c) “Department of Energy” means the department responsible for energy in the Borrower’s *Ministère des Infrastructures* (as hereinafter defined);

(d) “ELECTROGAZ” means *Etablissement Public de Production, de Transport, et de Distribution d’Electricité, d’Eau, et de Gaz* (Public Establishment for Production, Transport, and Electricity, Water, and Gas Distribution), a governmental enterprise established and operating under the Borrower’s Law No. 18/76 of April 20, 1976, as amended by the Borrower’s Law No. 18/99 of August 30, 1999;

(e) “Eligible Categories” means Categories (1) - (5) set forth in the table in Part A.1 of Schedule 1 to this Agreement;

(f) “Eligible Expenditures” means the expenditures for goods, works, and consultants’ services referred to in Section 2.02 of this Agreement;

(g) “Environmental Assessment” or “EA” means the assessment, dated October 2004, agreed with the Association, describing the potential adverse environmental and social impact of the Project and measures for the offsetting, reduction, or mitigation of such impact, and including the following documents: (i) Environmental and Social Management Framework (as hereinafter defined); and (ii) Resettlement Policy Framework (as hereinafter defined), as the same may be updated from time to time with the approval of the Association, to be applied by the Borrower in accordance with the provisions of Part C of Schedule 4 to this Agreement;

(h) “Environmental and Social Management Framework” or “ESMF” means the framework, dated October 2004, agreed with the Association for the environmental and social screening process to be followed in identifying, assessing, and mitigating the potential adverse environmental and social impact associated with activities to be implemented under the Project;

(i) “Financial Monitoring Report” or “FMR” means each report prepared in accordance with Section 4.02 of this Agreement;

(j) “Fiscal Year” means the Borrower’s fiscal year beginning on January 1 in any one calendar year and ending on December 31 in the same calendar year;

(k) “Fuel Cost Pass-Through Mechanism” or “FCPM” means the mechanism to be established by the Borrower in accordance with Section 6.01 (a) of this Agreement, whereby ELECTROGAZ may recover the cost of fuel for its power generation through its electricity tariffs;

(l) “*Ministère des Infrastructures*” (Ministry of Infrastructure) or “MININFRA” means the ministry of the Borrower responsible for infrastructure;

(m) “*Ministère des Terres, de l’Environnement, des Forêts, de l’Eau, et des Ressources Naturelles*” (Ministry of Lands, Environment, Forests, Water, and Natural Resources) or “MINITERRE” means the ministry of the Borrower responsible for lands, environment, forests, water, and natural resources;

(n) “Project Implementation Manuel” or “PIM” means the manual agreed with the Association containing details of the financial and accounting procedures, procurement arrangements, social monitoring and mitigation arrangements, and other organizational and administrative arrangements, as shall have been agreed with the Association for purposes of Project implementation, as the same may be amended from time to time in consultation with the Association, and such term includes any annexes thereto;

(o) “Procurement Plan” means the Borrower’s procurement plan, dated November 23, 2004 covering the initial 18-month period (or longer) of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.04 of this Agreement, to cover succeeding 18-month periods (or longer) of Project implementation;

(p) “Project Agreement” means the agreement between the Association and ELECTROGAZ of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental thereto;

(q) “Project Coordination Unit” or “PCU” means the unit to be established by the Borrower in accordance with Article 6.01 (g) of this Agreement and whose responsibilities are set out in Part A.3 of Schedule 4 to this Agreement;

(r) “Project Year” means the period beginning from the Effective Date and ending 12 months thereafter (Project Year 1) and any subsequent 12-month period thereafter;

(s) “Report-based Disbursements” means the Borrower’s option for withdrawal of funds from the Credit Account referred to in Part A.5 of Schedule 1 to this Agreement;

(t) “Resettlement Policy Framework” or “RPF” means the framework, dated October 2004, agreed with the Association for the resettlement and compensation of persons affected by potential changes in land use associated with activities to be implemented under the Project;

(u) “Rwanda Utilities Regulatory Agency” or “RURA” means the agency of the Borrower established and operating under the Borrower’s Law No. 39/2001 of September 13, 2001 and responsible for the regulation of public utilities;

(v) “Rwandan Franc” or “RWF” means the currency of the Borrower;

(w) “SINELAC” means *Société Internationale d’Electricité des Pays des Grands Lacs* (International Electricity Company of the Great Lakes Countries), an international public enterprise established and operating under the *Convention portant Création de la Société Internationale d’Electricité des Pays des Grands Lacs* (Convention Establishing the International Electricity Company of the Great Lakes Countries) of November 1, 1983 between the Borrower, the Democratic Republic of Congo, and the Republic of Burundi, as amended on November 28, 1983, and the *Statuts* (Statutes) of SINELAC, as amended on November 26, 1983, which are annexed to and form an integral part of the aforementioned Convention;

(x) “SNEL” means *Société Nationale d'Electricité* (National Electricity Company), a governmental enterprise established and operating under the laws of the Democratic Republic of Congo;

(y) “Special Account” means the account referred to in Part B of Schedule 1 to this Agreement;

(z) “Subsidiary Loan Agreement” means the agreement to be entered into between the Borrower and ELECTROGAZ pursuant to Section 6.01 (c) of this Agreement, as the same may be amended from time to time, and such term includes any schedules thereto.

## **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 sixteen million seven hundred thousand Special Drawing Rights (SDR 16,700,000).

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 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 July 31, 2009 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 (60) 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 March 15 and September 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 March 15 and September 15 commencing March 15, 2015 and ending September 15, 2044. Each installment to and including the installment payable on September 15, 2024 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 (3) 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 (6) 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 (5) 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 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. (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 Parts B.3 and C.2-3 of the Project through MININFRA and RURA with due diligence and efficiency and in conformity with appropriate financial, administrative, energy, engineering, public utility, environmental, and social practices, and shall provide, promptly as needed, the funds, facilities, services, and other resources required for the Project.

(b) Without any limitation or restriction upon any of its other obligations under this Agreement, the Borrower shall cause ELECTROGAZ to perform in accordance with the provisions of the Project Agreement all the obligations of ELECTROGAZ therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services, and other resources, necessary or appropriate to enable ELECTROGAZ to perform such 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 Parts B.3 and C.2-3 of the Project through MININFRA and RURA, and cause ELECTROGAZ to carry out Parts A, B.1-2, and C.1 of the Project, in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

(d) The Borrower shall make the proceeds of the Credit available to ELECTROGAZ under a subsidiary agreement (hereinafter referred to as the Subsidiary Loan Agreement) to be entered into between the Borrower and ELECTROGAZ, under terms and conditions which shall have been approved by the Association, which shall include the provisions set forth in Part B of Schedule 4 to this Agreement.

(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. Without limitation upon the provisions of paragraph (a) of Section 3.01 of this Agreement, and except as the Borrower and the Association shall otherwise agree, the Borrower shall:

(a) proactively seek, in collaboration with the Democratic Republic of Congo and the Republic of Burundi, to complete the financial restructuring of SINELAC through agreement of a plan for such purpose; and

(b) perform, and cause ELECTROGAZ to perform, with due diligence and efficiency, all of its obligations under such plan.

Section 3.03. Without limitation upon the provisions of paragraph (a) of Section 3.01 of this Agreement, and except as the Borrower and the Association shall otherwise agree, the Borrower shall:

(a) open a Project Account in accordance with the provisions of Article 6.01 (d), and thereafter maintain, until completion of the Project, such Project Account;

(b) (i) deposit into the Project Account an initial amount in accordance with the provisions of Article 6.01 (d); and (ii) thereafter, on a quarterly basis, replenish the Project Account by an amount equivalent to that withdrawn from the Project Account since the previous replenishment, to finance the Borrower's contribution for expenditures under the Project other than those financed from the proceeds of the Credit; and

(c) ensure that funds deposited into the Project Account in accordance with the provisions of paragraph (b) of this Section shall be used exclusively to finance expenditures under the Project other than those financed from the proceeds of the Credit.

Section 3.04. (a) Except as the Association shall otherwise agree, procurement of the goods, works, and 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, as said provisions may be further elaborated in the Procurement Plan.

(b) The Borrower shall update through MININFRA and RURA in respect of Parts B.3 and C.2-3 of the Project, and cause ELECTROGAZ to update in respect of Parts A, B.1-2, and C.1 of the Project, the Procurement Plan in accordance with guidelines acceptable to the Association, and furnish such update to the Association not later than 12 months after the date of the preceding Procurement Plan, for the Association's approval.

Section 3.05. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare through MININFRA and RURA in respect of Parts B.3 and C.2-3 of the Project, and cause ELECTROGAZ to prepare in respect of Parts A, B.1-2, and C.1 of the Project, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan, of such scope and detail as the Association shall reasonably request, for the future operation of the Project; and

(b) afford the Association a reasonable opportunity to exchange views with the Borrower on said plan.

Section 3.06. 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.1-2, and C.1 of the Project shall be carried out by ELECTROGAZ pursuant to Section 2.03 of the Project Agreement.

## ARTICLE IV

### Financial Covenants

Section 4.01. (a) The Borrower shall maintain a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, adequate to reflect the operations, resources, and expenditures related to the Project.

(b) The Borrower shall:

- (i) have the financial statements referred to in paragraph (a) of this Section for each Fiscal Year (or other period agreed to by the Association) audited, in accordance with consistently applied auditing standards acceptable to the Association, by independent auditors acceptable to the Association;
- (ii) furnish to the Association as soon as available, but in any case not later than six (6) months after the end of each such year (or such other period agreed to by the Association), (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Association), as so audited, and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Association; and
- (iii) furnish to the Association such other information concerning such records and accounts, and the audit of such financial statements, 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 reports referred to in Part A.5 of Schedule 1 to this Agreement (Report-based Disbursements) or on the basis of statements of expenditure, the Borrower shall:

- (i) retain, until at least one (1) year after the Association has received the audit report for, or covering, 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;

- (ii) enable the Association's representatives to examine such records; and
- (iii) ensure that such reports and statements of expenditure are included in the audit for each fiscal year (or other period agreed to by the Association), referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Borrower's progress reporting obligations set out in Part D of Schedule 4 to this Agreement, the Borrower shall prepare through MININFRA and RURA in respect of Parts B.3 and C.2-3 of the Project, and cause ELECTROGAZ to prepare in respect of Parts A, B.1-2, and C.1 of the Project, and furnish to the Association an FMR, in 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 45 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 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

Section 4.03. (a) Except as the Association shall otherwise agree, the Borrower shall ensure that ELECTROGAZ shall produce:

- (i) for each of Fiscal Years 2005 and 2006, total revenues equivalent to not less than the sum of ELECTROGAZ's total operating expenses;

- (ii) for Fiscal Year 2007, total revenues equivalent to not less than the sum of ELECTROGAZ's (A) total operating expenses; and (B) the amount by which debt service requirements exceed the provision for depreciation; and
- (iii) for each of Fiscal Years commencing Fiscal Year 2008, total revenues equivalent to not less than the sum of ELECTROGAZ's (A) total operating expenses; (B) the amount by which debt service requirements exceed the provision for depreciation; and (C) 25% of ELECTROGAZ's capital expenditures for such Fiscal Year.

(b) No later than two (2) weeks prior to the beginning of each calendar quarter, the Borrower and ELECTROGAZ shall jointly submit to the Association, in form and substance satisfactory to the Association, a reasonable forecast of total operating revenues and expenses during such quarter, including in respect of any changes in fuel and purchased power costs, and details of any necessary tariff revision, in each case separately for electricity and water, and shall implement such revision in form and substance satisfactory to the Association and no later than the beginning of the quarter, all with a specific view to meeting the targets set out in paragraph (a) of this Section.

(c) Before November 15 in each Fiscal Year, the Borrower and ELECTROGAZ shall jointly, and on the basis of the forecasts referred to in paragraph (b) above, review whether ELECTROGAZ would meet the requirements set forth in paragraph (a) above in respect of such year and the next following Fiscal Year and shall furnish to the Association the results of such review upon its completion.

(d) If any such review shows that ELECTROGAZ would not meet the requirements set forth in paragraph (a) for the Fiscal Year(s) covered by such review, the Borrower and ELECTROGAZ shall promptly take all necessary measures (including, without limitation, adjustments of the structure or levels of its tariffs), in form and substance satisfactory to the Association, in order to meet such requirements.

(e) For the purposes of this Section:

- (i) The term "total revenues" means the sum of total operating revenues and net non-operating income;
- (ii) The term "total operating revenues" means revenues from all sources related to operations;

- (iii) The term “net non-operating income” means the difference between: (A) revenues from all sources other than those related to operations; and (B) expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues in (A);
- (iv) The term “total operating expenses” means all expenses related to operations, including administration, adequate maintenance, taxes, and payments in lieu of taxes;
- (v) The term “debt service requirements” means the aggregate amount or repayments (including sinking fund payments, if any) of, and interest and other charges on, debt;
- (vi) The term “capital expenditures” means the aggregate amount used to acquire or upgrade physical assets such as property, industrial buildings, or equipment; and
- (vii) Whenever for the purposes of this Section it shall be necessary to value, in terms of the currency of the Borrower, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Association.

## **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:

(a) As a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that the Program or a significant part thereof shall be carried out.

(b) ELECTROGAZ shall have failed to perform any of its obligations under the Project Agreement.

(c) As a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that ELECTROGAZ will be able to perform its obligations under the Project Agreement.

(d) The Borrower's Law No. No. 18/76 of April 20, 1976, as amended by the Borrower's Law No. 18/99 of August 30, 1999, shall have been amended, suspended, abrogated, repealed, or waived so as to affect materially or adversely the ability of ELECTROGAZ to perform any of its obligations under the Project Agreement.

(e) The Contract for the Management of ELECTROGAZ shall have been amended, suspended, abrogated, repealed, or waived by the Borrower so as to affect materially or adversely the ability of ELECTROGAZ 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 (60) days after notice thereof shall have been given by the Association to the Borrower; and

(b) the event specified in paragraph (d) of Section 6.01 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 this Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) the FCPM, in form and substance satisfactory to the Association, has been established by the Borrower, and which shall include, but without being limited to, arrangements to the following effect: (i) automatic and comprehensive quarterly adjustments to fuel prices in light of, *inter alia*, fluctuations in diesel and fuel oil prices; (ii) submission to the Borrower by ELECTROGAZ of quarterly reports in respect of fuel costs, thermal generation levels, electricity sales, and fuel cost surcharge collection, and a forecast of the same for the following quarter; and (iii) review of such reports, and recommendation of necessary measures, by the Borrower on a semiannual basis;

(b) with regard to the first calendar quarter (or part thereof) of Project implementation, a reasonable forecast of ELECTROGAZ's total operating revenues and expenses during such quarter (or part thereof), including in respect of any changes in fuel and purchased power costs, and details of any necessary tariff revision, in each case separately for electricity and water, shall have been submitted jointly by the Borrower and ELECTROGAZ to the Association, in form and substance satisfactory to the Association, and such revision shall have been implemented by the Borrower and ELECTROGAZ in form and substance satisfactory to the Association, all with a specific view to meeting the targets set out in Section 4.03 (a) of this Agreement;

(c) the Subsidiary Loan Agreement, in form and substance satisfactory to the Association, has been executed on behalf of the Borrower and ELECTROGAZ;

(d) to finance its contribution for expenditures under the Project other than those financed from the proceeds of the Credit, a Project Account, in RWF, has been opened by the Borrower in its Central Bank, under terms and conditions acceptable to the Association; and an initial amount equivalent to \$10,000 has been deposited by the Borrower into such Project Account;

(e) the PIM, in form and substance satisfactory to the Association, has been adopted by the Borrower;

(f) a financial management system, in form and substance satisfactory to the Association, has been established by the Borrower, through ELECTROGAZ, for purposes of Project implementation; and

(g) a PCU, in form and substance and with resources and functions satisfactory to the Association, and with a financial management specialist and a procurement specialist, both with qualifications, experience, and terms of reference satisfactory to the Association, has been established in ELECTROGAZ.

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 or ratified by ELECTROGAZ, and is legally binding upon ELECTROGAZ in accordance with its terms; and

(b) that the Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and ELECTROGAZ and is legally binding upon the Borrower and ELECTROGAZ 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. The Minister of the Borrower at the time responsible for Finance 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 Finance and Economic Planning  
P. O. Box 158  
Kigali  
Republic of Rwanda

Facsimile: (250) 577 581

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 RWANDA

By /s/ Zac Nsenga

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ John Page

Authorized Representative

**SCHEDULE 1**

**Withdrawal of the Proceeds of the Credit**

A. General

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	2,670,000	100% of foreign expenditures and 95% of local expenditures
(2) Goods	9,340,000	100% of foreign expenditures and 95% of local expenditures
(3) Consultants' services, including audits	3,070,000	100% of foreign expenditures and 85% of local expenditures
(4) Training, workshops, and study tours	140,000	100%
(5) Incremental operating costs	140,000	95%
	<hr/>	
TOTAL	16,700,000	
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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;

(c) the term “incremental operating costs” means the incremental expenses incurred by the PCU on account of Project implementation, management, and monitoring, including office space rental and utilities, office supplies, bank charges, communications, vehicle operation, maintenance, and insurance, building and equipment maintenance costs, travel and supervision costs, and advertising expenses, but excluding salaries, honoraria, and fees of members of the Borrower’s civil service; and

(d) the term “training” includes seminars, workshops, and study tours and means the expenses incurred for travel, per diem, purchase of training materials, training fees, and rental of facilities for such purpose.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 670,000, may be made on account of payments made for expenditures before that date but after December 1, 2004.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures under contracts for: (a) goods costing less than \$150,000 equivalent per contract; (b) works costing less than \$200,000 equivalent per contract; (c) for services of individual consultants costing less than \$50,000 equivalent per contract; and (d) for services of consulting firms under contracts costing less than \$100,000 equivalent per contract, all under such terms and conditions as the Association shall specify by notice to the Borrower. The Association may also require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for: (a) training not subject to contract; and (b) incremental operating costs.

5. The Borrower may request withdrawals from the Credit Account to be made on the basis of reports to be submitted to the Association in form and substance satisfactory to the Association, such reports to include the FMR and any other information as the Association shall specify by notice to the Borrower (Report-based Disbursements). In the case of the first such request submitted to the Association before any withdrawal has

been made from the Credit Account, the Borrower shall submit to the Association only a statement with the projected sources and applications of funds for the Project for the six (6)-month period following the date of such request.

B. Special Account

1. The Borrower may open and maintain in Dollars a special deposit account in its Central Bank, on terms and conditions satisfactory to the Association.

2. After the Association has received evidence satisfactory to it that the Special Account has been opened, withdrawals from the Credit Account of amounts to be deposited into the Special Account shall be made as follows:

(a) if the Borrower is not making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

(b) if the Borrower is making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.

3. Payments out of the Special Account shall be made exclusively for Eligible Expenditures. 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.

4. Notwithstanding the provisions of Part B.2 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if the Association, at any time, is not satisfied that the reports referred to in Part A.5 of this Schedule 1 adequately provide the information required for Report-based Disbursements;

(b) if the Association determines at any time that all further withdrawals for payment of Eligible Expenditures should be made by the Borrower directly from the Credit Account; or

(c) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of: (A) the records and accounts for the Special Account; or (B) the records and accounts reflecting expenditures with respect to which withdrawals were Report-based

Disbursements or were made on the basis of statements of expenditure, as the case may be.

5. The Association shall not be required to make further deposits into the Special Account in accordance with the provisions of Part B.2 of this Schedule 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 Section 6.02 of the General Conditions. Upon such notification, the Association shall determine, in its sole discretion, whether further deposits into the Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Borrower of its determination.

6. (a) If the Association determines at any time that any payment out of the Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association, provide such additional evidence as the Association may request, or 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. 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 determines at any time that any amount outstanding in the Special Account will not be required to cover payments for Eligible Expenditures during the six (6)-month period following such determination, 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 subparagraph (a), (b), or (c) of this paragraph 6 shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the provisions of the Credit Agreement.

**Annex A  
to  
SCHEDULE 1**

**Operation of Special Account  
When Withdrawals Are Not  
Report-based Disbursements**

1. For the purposes of this Annex, the term “Authorized Allocation” means the amount of \$2,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 2 of this Annex.

2. 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 in the aggregate do not exceed the Authorized Allocation. 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.

(b) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposit into the Special Account at such intervals, as the Association shall specify. 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 Part B.3 of Schedule 1 to this Agreement 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. Each such deposit into the Special Account shall be withdrawn by the Association from the Credit Account under one or more of the Eligible Categories.

3. The Association shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the Credit minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions 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 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.

**Annex B  
to  
SCHEDULE 1**

**Operation of Special Account  
When Withdrawals Are  
Report-based Disbursements**

1. Withdrawals from the Credit Account shall be deposited by the Association into the Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the Special Account shall be withdrawn by the Association from the Credit Account under one or more of the Eligible Categories.

2. Upon receipt of each application for withdrawal of an amount of the Credit, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Association has determined, based on the reports referred to in Part A.5 of this Schedule 1 applicable to such withdrawal application, is required to be deposited in order to finance Eligible Expenditures during the six (6)-month period following the date of such reports.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are to: (i) alleviate power shortages in the territory of the Borrower; and (ii) enhance the capabilities of the Borrower's energy sector institutions.

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:

#### A. Power System Reinforcement

##### 1. Generation

(a) Provision of thermal units of approximately 10 MW and fuel storage facilities to ELECTROGAZ

(b) Carrying out of rehabilitation of approximately 2 MW of small hydroelectric units

##### 2. Transmission

(a) Carrying out of rehabilitation of Karongi, Kigoma, Mururu I, Rulindo, Mukungawa, Kilinda, Kibogora, Musha, and other substations and of transmission lines of ELECTROGAZ network

(b) Carrying out of reconfiguration of evacuation lines from SINELAC and SNEL stations through rearrangement of power evacuation at Mururu I and II substations to enhance the Borrower's share of power from Rusizi I

(c) Carrying out of installation of additional transmission lines, including to connect to small hydroelectric units and new gas-based power plant

(d) Protection system improvement and network extension

3. Distribution

(a) Carrying out of priority rehabilitation of ELECTROGAZ distribution network, including approximately 165 kilometers of aerial and 103 kilometers of underground low-voltage network, approximately 13 kilometers of aerial and 2 kilometers of underground medium-voltage network, and 30/0.4 kV and 15/0.4kV distribution transformers in Kigali and Butare cities, respectively

(b) Carrying out of limited distribution network extensions, including installation of low- and medium-voltage lines and new transformers in urban and peri-urban areas

B. Capacity Building

1. Support to PCU for Project coordination and management, through the provision of staff and technical advisory services and financing of incremental operating costs.

2. Strengthening capacity of ELECTROGAZ to carry out its activities through:

(a) Establishment of computer-based financial management system

(b) Carrying out of planning, engineering, procurement, and implementation of Parts A, B.1-2, and C.1 of the Project, studies for development of demand-side management program and low-cost network design specifications, and protection and feasibility studies for future grid-connected small/mini hydro units

(c) Provision of training to staff in areas such as financial management, accounting, network design and standards, use of geographical information/positioning system technology, and Project planning and implementation

3. Strengthening capacity of Department of Energy and RURA to carry out activities under the Project.

(a) Department of Energy

(i) Provision of technical assistance to Department of Energy for purpose of review of electricity legislation, preparation of new gas legislation and regulations, including in respect of licensing, pricing, and oversight, and development of rural electrification policy, including in respect of standards and licensing rules; and

- (ii) Provision of training to Department of Energy in energy and environmental economics, policy development and execution, and rural and renewable energy program design.

(b) RURA

- (i) Provision of technical assistance to RURA in regulatory matters, including in respect of license or concession application review and approval, tariff proposals, power and gas purchase agreements, investment plans, and major contracts; and
- (ii) Provision of technical assistance to RURA for purpose of development of procedures for monitoring and performance audits of ELECTROGAZ and future private licensees in electricity and gas sectors, and of on-the-job as well as external training in license or concession application review and approval, contracts, and ELECTROGAZ investment and tariff plans.

C. Domestic Resource Development

1. Preparation of pre-feasibility and feasibility studies and bid documents for future grid-based domestic hydroelectric projects.
2. Provision of technical assistance for development and implementation of good carbonization practices and use of improved stoves for efficient utilization of available biomass resources.
3. Provision of goods and technical advisory services for purpose of initiation of process of decentralized rural electrification through preparation of business plans laying out project ownership, financing, management arrangements, and tariffs for and installation of three (3) priority micro hydro-based independent grids.

\* \* \*

The Project is expected to be completed by January 31, 2009.

### **SCHEDULE 3**

#### **Procurement**

##### Section I. General

A. All goods, works, and services (other than consultants' services) shall be procured in accordance with the provisions of Section I of the "Guidelines: Procurement under IBRD Loans and IDA Credits" dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. All consultants' services shall be procured in accordance with Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

C. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Association of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

##### Section II. Particular Methods of Procurement of Goods, Works, and Services (other than Consultants' Services)

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, contracts shall be awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Borrower and works to be carried out by domestic contractors.

##### B. Other Procurement Procedures

1. Limited International Bidding. Goods which the Association agrees can only be purchased from a limited number of suppliers, regardless of the cost thereof, may be procured under contracts awarded on the basis of Limited International Bidding in accordance with the provisions of paragraphs 3.1 and 3.2 of the Procurement Guidelines.

2. National Competitive Bidding. Goods estimated to cost less than \$150,000 equivalent per contract and works estimated to cost less than \$500,000 equivalent per contract may be procured under contracts awarded on the basis of National

Competitive Bidding in accordance with the provisions of paragraphs 3.1, 3.3, and 3.4 of the Procurement Guidelines.

3. Shopping. Goods estimated to cost less than \$30,000 equivalent per contract and works estimated to cost less than \$50,000 equivalent per contract may be procured under contracts awarded on the basis of Shopping in accordance with the provisions of paragraphs 3.1 and 3.5 of the Procurement Guidelines.

4. Direct Contracting. Goods and works which the Association agrees meet the requirements for Direct Contracting referred to in paragraphs 3.1, 3.6, and 3.7 of the Procurement Guidelines may, with the Association's prior agreement, be procured in accordance with the provisions of said procurement method.

### Section III. Particular Methods of Procurement of Consultants' Services

A. Quality- and Cost-based Selection. Except as otherwise provided in Part B of this Section, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than \$100,000 equivalent per contract may comprise entirely national consultants.

#### B. Other Procedures

1. Least-cost Selection. Services for assignments, which the Association agrees meet the requirements of paragraph 3.6 of the Consultant Guidelines may be procured under contracts awarded on the basis of Least-cost Selection in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Selection Based on Consultants' Qualifications. Services estimated to cost less than \$200,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7, and 3.8 of the Consultant Guidelines.

3. Single Source Selection. Services for tasks in circumstances, which meet the requirements of paragraph 3.10 of the Consultant Guidelines for Single Source Selection, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines.

4. Individual Consultants. Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with

the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis.

Section IV. Review by the Association of Procurement Decisions

1. Except as the Association shall otherwise determine by notice to the Borrower, the following contracts shall be subject to Prior Review by the Association: (a) each contract for goods estimated to cost the equivalent of \$150,000 or more; (b) the first contract for goods procured on the basis of National Competitive Bidding; (c) the first contract for goods procured on the basis of Shopping; (d) each contract for works estimated to cost the equivalent of \$200,000 or more; (e) the first contract for works procured on the basis of National Competitive Bidding; (f) the first contract for works procured on the basis of Shopping; (g) each contract for consultants' services provided by an individual consultant estimated to cost the equivalent of \$50,000 or more; and (h) each contract for consultants' services provided by a firm estimated to cost the equivalent of \$100,000 or more.

2. The following Prior Review procedures shall apply to each contract to be procured on the basis of Direct Contracting: (i) the specifications and draft contract shall be furnished to the Association for its Prior Review and approval; (ii) the contract shall be awarded only after such approval shall have been given; and (iii) the provisions of paragraphs 2 (h) and 3 of Appendix 1 to the Procurement Guidelines shall apply to the contract.

3. The following Prior Review procedures shall apply to each contract for consultants' services provided by a firm to be procured on the basis of Single Source Selection: (i) the qualifications, experience, terms of reference, and conditions of employment of the consultants shall be furnished to the Association for its Prior Review and approval; (ii) the contract shall be awarded only after such approval shall have been given; and (iii) the provisions of paragraphs 3 and 5 of Appendix 1 to the Consultant Guidelines shall apply to the contract.

4. All other contracts shall be subject to Post Review by the Association.

## SCHEDULE 4

### Implementation Program

#### A. Project Oversight and Implementation Arrangements

1. The Borrower shall implement Parts B.3 (a) and C.2-3 of the Project through MININFRA and Part B.3 (b) of the Project through RURA, and shall cause ELECTROGAZ to implement Parts A, B.1-2, and C.1 of the Project.
2. The Borrower shall maintain, throughout Project implementation, a PCU in ELECTROGAZ in form and substance and with resources and functions satisfactory to the Association, and with staff, including a Project Coordinator, financial management specialist, and procurement specialist, all with qualifications, experience, and terms of reference satisfactory to the Association.
3. The PCU shall be responsible for: (i) facilitation, monitoring, and evaluation of Project implementation, including preparation of reports such as that to be prepared for Midterm Review in accordance with Part D.3 (b) of this Schedule; (ii) preparation of Annual Work Plans and budgets for approval by the Steering Committee; (iii) financial management and procurement, including record-keeping and reporting, under the Project, including in respect of Parts B.3 and C.2-3 of the Project; and (iv) monitoring completion of Project activities through contracting out of Project supervisory responsibilities.
4. The focal person identified by the Borrower in MININFRA and RURA each for purposes of collaboration with the PCU shall ensure that: (i) the respective sub-part of the Project is implemented with due diligence and efficiency and in accordance with Project documents; (ii) such sub-part is fully consistent with the priorities of the respective agency as well as Project objectives; (iii) planning and reporting under such sub-part are carried out so as to permit the PCU to prepare FMRs and other necessary reports in a timely and comprehensive manner; (iv) procurement under such sub-part is handled expeditiously by the PCU; and (v) financial information relating to implementation of such sub-part, including in respect of statements of expenditure and payments on consulting contracts, is communicated to the PCU in a timely and accurate manner.
5. The Borrower shall establish, no later than one (1) month after the Effective Date, a Steering Committee headed by the Minister of Finance and Economic Planning, and comprising representatives of: (i) ELECTROGAZ; (ii) Kigali Institute of Science and Technology; (iii) MININFRA; (iv) MINITERRE; (v) Office of the President; (vi) Office of the Prime Minister; (vii) Private Sector Federation; and (viii) RURA.

6. The Borrower shall maintain, throughout Project implementation, the Steering Committee in form and substance and with resources and functions satisfactory to the Association.

7. The Steering Committee shall be responsible for: (i) oversight of Project implementation, including compliance on the part of ELECTROGAZ with the Project Agreement; (ii) oversight of the work of the PCU; (iii) review and approval of key Project reports such as that to be prepared for Midterm Review in accordance with Part D.3 (b) of this Schedule; (iv) coordination of Project stakeholders as needed for Project implementation; and (v) coordination with the Association and other donors.

8. Except as the Association shall otherwise agree, the Borrower shall: (a) apply through MININFRA and RURA, and cause ELECTROGAZ to apply, the criteria, policies, procedures, and arrangements set out in the PIM; and (b) not amend or waive, or permit to be amended or waived, the PIM or any provision thereto, in a manner which, in the opinion of the Association, may materially and adversely affect Project implementation.

9. The Borrower shall ensure that its concerned ministries, departments, and agencies shall collaborate with ELECTROGAZ for purposes of the latter's compliance with the provisions of the PIM and EA, including the ESMF and RPF.

B. Subsidiary Loan Agreement

The Subsidiary Loan Agreement shall include, but without being limited to, provisions to the following effect:

(a) The Borrower shall provide the proceeds of the Credit to ELECTROGAZ on terms and conditions satisfactory to the Association and including a repayment period of 25 years, including a 5-year grace period, and an interest rate of 2% per annum.

(b) ELECTROGAZ shall perform all of its obligations under the Project Agreement.

(c) ELECTROGAZ shall perform all of its obligations under the plan agreed under Section 3.02 (a) of this Agreement between the Borrower, the Democratic Republic of Congo, and the Republic of Burundi for purposes of the financial restructuring of SINELAC.

(d) Procurement of the goods, works, and 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, as said provisions may be further elaborated in the Procurement Plan.

(e) ELECTROGAZ shall ensure that the Project is implemented in accordance with the provisions of the EA, including the ESMF and RPF, and, except as the Association shall otherwise agree, ELECTROGAZ shall not amend or waive, or permit to be amended or waived, any provision of the aforementioned if such amendment or waiver may, in the opinion of the Association, materially or adversely affect Project implementation, and, to this end, ELECTROGAZ shall recruit an environmental and social advisor, with qualifications, experience, and terms of reference satisfactory to the Association.

C. Safeguards

The Borrower shall ensure, and shall cause ELECTROGAZ to ensure, that the Project is implemented in accordance with the provisions of the EA, including the ESMF and RPF, and, except as the Association shall otherwise agree, the Borrower shall not amend or waive, or permit to be amended or waived, any provision of the aforementioned if such amendment or waiver may, in the opinion of the Association, materially or adversely affect Project implementation.

D. Project Monitoring and Evaluation

Annual Work Plans and Budgets

1. The Borrower shall furnish, through MININFRA and RURA, to the Association as soon as available, but in any case not later than September 1 of each year, the Annual Work Plan and budget in respect of Parts B.3 and C.2-3 of the Project for each subsequent Project Year, of such scope and detail as the Association shall have reasonably requested, except for the Annual Work Plan and budget in respect of Parts B.3 and C.2-3 of the Project for Project Year 1, which shall be furnished no later than thirty (30) days after the Effective Date.

Annual Reviews

2. The Borrower shall, through MININFRA and RURA:

(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 5 to

this Agreement, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about June 1 of each year, 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 Parts B.3 and C.2-3 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 such Parts of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Association, by September 1 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.

#### Midterm Review

3. The Borrower shall:

(a) carry out jointly with the Association, no later than July 31, 2007, a midterm review to assess the status of Project implementation, as measured against the performance indicators referred to in Schedule 5 to this Agreement. Such review shall include an assessment of the following: (i) overall progress in Project implementation; (ii) results of monitoring and evaluation activities; (iii) Annual Work Plans and budgets; and (iv) progress on procurement and disbursement; and make adjustments to the Project and reallocate funds to improve performance, if needed;

(b) prepare and furnish to the Association, three (3) months before such review, a report, in scope and detail satisfactory to the Association, needed to undertake the review, 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 the 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, jointly with the Association, 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**

### **Performance Indicators**

The Borrower shall implement Parts B.3 and C.2-3 of the Project through MININFRA and RURA, and cause ELECTROGAZ to implement Parts A, B.1-2, and C.1 of the Project, in accordance with the performance indicators set forth below:

1. Part A of Project

Available domestic electricity generation capacity has increased by at least 7 MW as compared to that in Fiscal Year 2004.

2. Part B of Project

Energy sector regulations prepared under Part B.3 (a) of the Project have been adopted by RURA.

3. Part C of Project

Bidding/transaction documents for a domestic hydro generation station of at least 5 MW have been prepared.

