

No. 8277

**INTERNATIONAL DEVELOPMENT ASSOCIATION
and
BURUNDI**

Development Credit Agreement—*Bujumbura Water Supply Project* (with related letters, annexed Development Credit Regulations No. 1 and Project Agreement between the Association and the Régie de distribution d'eau et d'électricité). Signed at Washington, on 31 March 1966

Official text: English.

Registered by the International Development Association on 21 July 1966.

**ASSOCIATION INTERNATIONALE
DE DÉVELOPPEMENT
et
BURUNDI**

Contrat de crédit de développement — *Projet d'adduction d'eau pour la ville de Bujumbura* (avec lettres y relatives et, en annexe, le Règlement n° 1 sur les crédits de développement et le Contrat relatif au Projet entre l'Association et la Régie de distribution d'eau et d'électricité). Signé à Washington, le 31 mars 1966

Texte officiel anglais.

Enregistré par l'Association internationale de développement le 21 juillet 1966.

No. 8277. DEVELOPMENT CREDIT AGREEMENT¹ (*BUJUMBURA WATER SUPPLY PROJECT*) BETWEEN THE KINGDOM OF BURUNDI AND THE INTERNATIONAL DEVELOPMENT ASSOCIATION. SIGNED AT WASHINGTON, ON 31 MARCH 1966

AGREEMENT, dated March 31, 1966, between KINGDOM OF BURUNDI (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS the Borrower has requested the Association to assist in financing part of the costs of improving the water supply system of Bujumbura; and

WHEREAS the Association is willing to make a development credit available on the terms and conditions provided herein and in a project agreement of even date herewith² between Régie de Distribution d'Eau et d'Électricité, the Borrower's water and electricity authority, and the Association;

NOW THEREFORE the parties hereto hereby agree as follows :

Article I

CREDIT REGULATIONS; SPECIAL DEFINITIONS

Section 1.01. The parties to this Agreement accept all the provisions of Development Credit Regulations No. 1 of the Association dated June 1, 1961,² with the same force and effect as if they were fully set forth herein subject, however, to the following modifications thereof (said Development Credit Regulations No. 1 as so modified being hereinafter called the Regulations) :

(a) The second sentence of Section 2.02 is amended by deleting the words " at the same rate " and substituting therefor the words " at the rate of one-half of one per cent ($\frac{1}{2}$ of 1%) per annum. "

(b) Section 3.01 is deleted and the following new Section is substituted therefor :

" SECTION 3.01. *Currencies in which Cost of Goods is to be Paid and Proceeds of the Credit are to be Withdrawn.* (a) Except as the Borrower and

¹ Came into force on 28 June 1966, upon notification by the Association to the Government of Burundi.

² See p. 24 of this volume.

the Association shall otherwise agree, the cost of goods financed out of the proceeds of the Credit shall be paid in the respective currencies of the countries from which such goods are acquired.

“(b) The proceeds of the Credit shall be withdrawn from the Credit Account :

“(i) on account of expenditures in currency of the Borrower or for goods produced in (including services supplied from) the territories of the Borrower, in such currency or currencies as the Association shall from time to time reasonably select;

“(ii) in all other cases, in the currency in which the cost of the goods financed out of such proceeds has been paid or is payable.

“(c) The Borrower and the Association may from time to time agree on any other currency in which withdrawals shall be made. ”

(c) A new Section 3.04 is inserted after Section 3.03 as follows :

“SECTION 3.04. *Purchase of Currency of Withdrawal with Other Currency.* If withdrawal shall be made in any currency which the Association shall have purchased with another currency for the purpose of such withdrawal, the portion of the Credit so withdrawn shall be deemed to have been withdrawn from the Credit Account in such other currency for the purposes of Section 3.03. ”

(d) Section 3.04 is renumbered as Section 3.05.

(e) The words “ or the Project Agreement ” are inserted in Section 6.02 after the words “ the Development Credit Agreement. ”

(f) Section 8.04 is deleted.

Section 1.02. Unless the context otherwise requires, the following terms, wherever used in this Agreement have the following meanings :

(a) The term “ Regideso ” means Régie de Distribution d’Eau et d’Électricité, the Borrower’s water and electricity authority, and includes any successor to Regideso designated in accordance with the laws of the Borrower;

(b) The term “ Project Agreement ” means the project agreement of even date herewith between Regideso and the Association, and includes any amendments thereof made by agreement between the Association and Regideso;

(c) The term “ Charter ” means Legislative Ordinance No. B/113 (as amended) of the Borrower dated June 22, 1962, establishing Regideso, and includes any amendments or modifications thereof;

(d) The term “ Subsidiary Loan Agreement ” means the loan agreement (*Contrat de Prêt*) dated February 25, 1966 between the Borrower and Regideso;

- (e) The term “subsidiary” means any company or entity of which a majority of the outstanding voting stock is owned, or which is effectively controlled, by Regideso or by any one or more subsidiaries of Regideso or by Regideso and one or more of its subsidiaries.

Article II

THE CREDIT

Section 2.01. The Association agrees to make available to the Borrower, on the terms and conditions in this Development Credit Agreement set forth or referred to, a development credit in an amount in various currencies equivalent to one million and one hundred thousand dollars (\$1,100,000).

Section 2.02. The Association shall open a Credit Account on its books in the name of the Borrower and shall credit to such Credit Account the amount of the Credit. The amount of the Credit may be withdrawn from the Credit Account as provided in, and subject to the rights of cancellation and suspension set forth in, this Development Credit Agreement.

Section 2.03. Except as the Association shall otherwise agree, the Borrower shall be entitled, subject to the provisions of this Development Credit Agreement, to withdraw from the Credit Account :

(a) such amounts as shall have been expended for the reasonable cost of goods to be financed out of the proceeds of the Credit; and

(b) if the Association shall so agree, such amounts as shall be required to meet payments to be made for the reasonable cost of such goods.

Section 2.04. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one per cent ($\frac{3}{4}$ of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.05. Service charges shall be payable semiannually on February 1 and August 1 in each year.

Section 2.06. The Borrower shall repay the principal amount of the Credit in semiannual instalments payable on each February 1 and August 1 commencing August 1, 1976 and ending February 1, 2016, each instalment to and including the instalment payable on February 1, 1986 to be one-half of one per cent of such principal amount, and each instalment thereafter to be one and one-half per cent of such principal amount.

Article III

USE OF PROCEEDS OF THE CREDIT

Section 3.01. The Borrower shall relend the proceeds of the Credit to Regideso pursuant to the Subsidiary Loan Agreement. The proceeds of the

Credit shall be applied exclusively to financing the cost of goods required to carry out the Project described in Schedule 1 to this Agreement. The specific goods to be financed out of the proceeds of the Credit and the method and procedures for procurement of such goods shall be determined by agreement between Regideso and the Association, subject to modification by further agreement between them.

Article IV

PARTICULAR COVENANTS

Section 4.01. (a) The Borrower shall take or cause to be taken all action which shall be necessary to enable Regideso to perform all its obligations under the Project Agreement and shall not take, cause or permit to be taken, any action that would interfere with the performance of such obligations by Regideso.

(b) Without any limitation upon the foregoing paragraph of this Section, the Borrower covenants that, except as the Borrower and the Association shall otherwise agree, it will from time to time grant and maintain, or cause to be granted and maintained, water and power rates at such levels as may be necessary to provide revenues sufficient to allow each of Regideso's Departments independently: (i) to cover operating expenses, including taxes, if any, and interest and to provide for adequate maintenance and depreciation based on realistic valuations of assets; (ii) to meet repayments on indebtedness to the extent that any such repayments exceed provision for depreciation; and (iii) to finance the normal year to year extensions and to provide a reasonable part of the cost of future major expansion. For the purposes of this paragraph, the term "indebtedness" shall mean debt maturing by its terms more than one year after the date on which it is originally incurred.

Section 4.02. (a) The Borrower shall, whenever there is reasonable cause to believe that the funds available to Regideso will be inadequate to meet the estimated expenditures required for carrying out the Project, promptly make arrangements, on terms and conditions satisfactory to the Association, to provide Regideso with such funds as are needed to meet such expenditures.

(b) The Borrower shall take, or cause to be taken, promptly as needed, all steps necessary to enable Regideso to acquire and retain such land, interests in land and properties as may be necessary or proper for the carrying out of the Project.

Section 4.03. (a) The Borrower and the Association shall cooperate fully to assure that the purposes of the Credit will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Credit. On the part of the

Borrower, such information shall include information with respect to financial and economic conditions in the territories of the Borrower and the international balance of payments position of the Borrower.

(b) The Borrower and the Association shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Credit and the maintenance of the service thereof. The Borrower shall promptly inform the Association of any condition which interferes with, or threatens to interfere with, the accomplishment of the Credit or the maintenance of the service thereof.

(c) The Borrower shall afford all reasonable opportunity for accredited representatives of the Association to visit any part of the territories of the Borrower for purposes related to the Credit.

Section 4.04. Except as the Association shall otherwise agree the Borrower shall not amend, assign, abrogate or waive any provision of the Subsidiary Loan Agreement.

Section 4.05. The Borrower shall consult the Association on any proposed change in the post of General Manager of Regideso prior to undertaking any such change.

Section 4.06. The Borrower (including any agency or instrumentality of the Borrower) shall not require Regideso to provide any services or construct any facilities unless provisions satisfactory to Regideso and the Association are made to compensate Regideso for all costs resulting therefrom.

Section 4.07. The principal of, and service charges on, the Credit shall be paid without deduction for, and free from, any taxes, and free from all restrictions, imposed under the laws of the Borrower or laws in effect in its territories.

Section 4.08. This Development Credit Agreement and the Project Agreement shall be free from any taxes that shall be imposed under the laws of the Borrower or laws in effect in its territories on or in connection with the execution, delivery or registration thereof.

Article V

REMEDIES OF THE ASSOCIATION

Section 5.01. (i) If any event specified in paragraph (a) or paragraph (c) of Section 5.02 of the Regulations shall occur and shall continue for a period of thirty days, or (ii) if any event specified or referred to in paragraph (b) of Section 5.02 of the Regulations or Section 5.02 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, then at any subsequent time the Association, at its option, may declare the principal of the Credit then outstanding to be due and payable immediately, and upon any such declaration such principal shall become due and payable immediately, anything in this Development Credit Agreement to the contrary notwithstanding.

Section 5.02. For the purposes of Section 5.02 (j) of the Regulations, the following additional events are specified :

(a) Regideso shall have failed to perform any covenant or agreement of Regideso under the Project Agreement.

(b) Before the Project Agreement shall have terminated in accordance with its terms :

- (i) the Charter shall have been amended or modified without prior agreement between the Borrower and the Association; or
- (ii) a default shall have occurred in the performance of any covenant or agreement on the part of the Borrower or Regideso under the Subsidiary Loan Agreement.

(c) An extraordinary situation shall have arisen which shall make it improbable that Regideso will be able to perform its obligations under the Project Agreement.

Article VI

EFFECTIVE DATE; TERMINATION

Section 6.01. The following event is specified as an additional condition to the effectiveness of this Agreement within the meaning of Section 8.01 (b) of the Regulations, namely : the execution and delivery of the Project Agreement on behalf of Regideso has been duly authorized or ratified by all necessary action.

Section 6.02. The following are specified as additional matters, within the meaning of Section 8.02 (b) of the Regulations, 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, and executed and delivered on behalf of Regideso and constitutes a valid and binding obligation of Regideso in accordance with its terms.

(b) That all acts, consents and approvals of the Borrower and Regideso or otherwise to be performed or given in order to authorize the construction of the Project, with all necessary powers and rights in connection therewith, have been duly and validly performed or given.

(c) That the Subsidiary Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and Regideso and constitutes a valid and binding obligation of the Borrower and Regideso in accordance with its terms.

Section 6.03. If this Development Credit Agreement shall not have come into force and effect by June 30, 1966, this Development Credit Agreement and all obligations of the parties hereunder shall terminate, unless the Association, after consideration of the reasons for the delay, establishes a later date for purposes of this Section. The Association shall promptly notify the Borrower of such later date.

Article VII

MISCELLANEOUS

Section 7.01. The Closing Date shall be June 30, 1970, or such other date as may from time to time be agreed between the Borrower and the Association.

Section 7.02. The following addresses are specified for the purposes of Section 7.01 of the Regulations :

For the Borrower :

Ministère des Finances
Boîte Postale 1830
Bujumbura
Burundi

Alternative address for cablegrams and radiograms :

Minifinance
Bujumbura, Burundi

For the Association :

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

Alternative address for cablegrams and radiograms :

Indevas
Washington, D.C.

Section 7.03. (a) The *Ministre des Finances* of the Borrower is designated for the purposes of Section 7.03 of the Regulations.

(b) The Borrower irrevocably designates Regideso for the purposes of taking any action required or permitted to be taken under the provisions of Sec-

tion 2.03 of this Development Credit Agreement and Article IV of the Regulations, in respect of the amounts expended or to be expended for the Project in accordance with this Development Credit Agreement and the Project Agreement.

IN WITNESS WHEREOF the parties hereto acting through their representatives thereunto duly authorized have caused this Development Credit Agreement to be signed in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

Kingdom of Burundi :
By François KISIKURUME
Authorized Representative

International Development Association :
By J. Burke KNAPP
Vice President

SCHEDULE 1

DESCRIPTION OF THE PROJECT

The Project consists of the construction, expansion and extension of facilities and the improvement of management and operations of the water system serving Bujumbura and adjacent communities.

The following facilities and services are included in the Project :

- (a) A water intake crib to be located about 800 meters offshore in Lake Tanganyika;
- (b) An intake line of about 30" diameter from the crib to a pump station on the shore;
- (c) A water treatment plant having a capacity of about 14,500 cubic meters a day;
- (d) A storage reservoir of around 2,500 cubic meters;
- (e) Electrical facilities and equipment;
- (f) Inter-connecting piping, transmission lines and additions to the distribution system;
- (g) Engineering and management services.

The construction of the facilities is expected to be completed in 1969.

LETTERS RELATING TO THE DEVELOPMENT CREDIT AGREEMENT

AMBASSADE DU ROYAUME DU BURUNDI¹
WASHINGTON

March 31, 1966

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433

Credit No. 85 BU (Bujumbura Water Supply Project)
Training; Payment of Bills

Dear Sirs :

We refer to the Development Credit Agreement (*Bujumbura Water Supply Project*) of even date herewith between us.

This is to confirm the following :

- (a) We shall, until such time as shall be determined by mutual agreement between the Association and Regideso, provide annually by appropriate scholarships for college and advanced training abroad in the fields of engineering and business administration for at least two qualified high school graduates, selected by Regideso, who upon return will be in a position to join the staff of Regideso.
- (b) We shall within eighteen months from the date hereof pay, under terms and conditions satisfactory to Regideso and the Association, all outstanding Government debts to Regideso and use our best effort to assist Regideso in the collection of all other outstanding unpaid accounts. We further agree that we shall in the future pay, or cause to be paid, promptly upon their presentation, all bills and services provided by Regideso to us, out agencies or the municipality of Bujumbura.

Please confirm your agreement with the foregoing by signing the form of confirmation on the enclosed copy of this letter and returning it to us.

Very truly yours,

Kingdom of Burundi :
By François KISIKURUME
Authorized Representative

Confirmed:

International Development Association :

By A. G. EL EMARY
Director, Africa Department

¹ Embassy of the Kingdom of Burundi.

AMBASSADE DU ROYAUME DU BURUNDI¹
WASHINGTON

March 31, 1966

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433

Credit No. 85 BU (Bujumbura Water Supply Project)
Currency of Payment

Dear Sirs :

We refer to the Development Credit Agreement (*Bujumbura Water Supply Project*) of even date herewith between ourselves and to Section 3.02 of the Regulations referred to therein. Pursuant to such Section we hereby request your agreement as follows :

- (i) Except as hereinafter provided, the principal amount of, and service charges on, the Credit provided for in such Agreement shall be payable in the currency of the United States of America.
- (ii) If at any time we shall desire that, commencing with a given future payment date, such principal and service charges shall be payable in an eligible currency other than that specified in (i), or than one designated under this clause (ii), or selected pursuant to clause (iv), we shall deliver to the Association, not less than 3 nor more than 4 months prior to such payment date, a notice in writing to that effect and designating such other eligible currency, whereupon the currency so designated shall, commencing with such payment date, be the currency in which such principal and service charges shall be payable.
- (iii) If at any time the Association shall determine that a currency payable pursuant to the provisions of this letter is not an eligible currency, the Association shall so notify us in writing and furnish us with a list of eligible currencies.
- (iv) Within thirty days from the date of such notice we shall notify the Association in writing of our selection of a currency from such list in which payment shall be made, failing which the Association shall select a currency for such purpose from such list, whereupon, in either case, such principal and service charges shall, commencing with the payment date next succeeding such thirty-day period, be payable in the currency so selected.
- (v) For the purposes of this letter "eligible currency" means any currency of a member of the Association which the Association at the relevant time determines to be freely convertible or freely exchangeable by it for currencies of other members of the Association for the purposes of its operations.

¹ Embassy of the Kingdom of Burundi.

Please indicate your agreement with the foregoing by signing the form of confirmation on the enclosed copy of this letter and returning it to us.

Very truly yours,

Kingdom of Burundi :
By François KISIKURUME
Authorized Representative

Confirmed:

International Development Association :

By A. G. EL EMARY
Director, Africa Department

INTERNATIONAL DEVELOPMENT ASSOCIATION

DEVELOPMENT CREDIT REGULATIONS No. 1, DATED 1 JUNE 1961

REGULATIONS APPLICABLE TO DEVELOPMENT CREDIT AGREEMENTS WITH
MEMBER GOVERNMENTS

[*Not published herein. See United Nations, Treaty Series, Vol. 415, p. 68.*]

PROJECT AGREEMENT

(*BUJUMBURA WATER SUPPLY PROJECT*)

AGREEMENT, dated March 31, 1966, between RÉGIE DE DISTRIBUTION D'EAU ET D'ÉLECTRICITÉ (hereinafter called Regideso) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS by a development credit agreement of even date herewith (hereinafter called the Credit Agreement)¹ between the Kingdom of Burundi (hereinafter called the Borrower) and the Association, the Association has agreed to make available to the Borrower a development credit in various currencies equivalent to one million and one hundred thousand dollars (\$1,100,000), on the terms and conditions set forth in the Credit Agreement, but only on condition that Regideso agree to undertake certain obligations to the Association as hereinafter in this Project Agreement set forth; and

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

¹ See p. 4 of this volume.

NOW THEREFORE the parties hereto hereby agree as follows :

Article I

DEFINITIONS

Section 1.01. Wherever used in this Project Agreement, unless the context shall otherwise require, the several terms defined in the Credit Agreement and in the Regulations (as so defined) shall have the respective meanings therein set forth.

Article II

PARTICULAR COVENANTS

Section 2.01. Regideso shall carry out the Project with due diligence and efficiency and in conformity with sound engineering, financial and public utility practices.

Section 2.02. Regideso covenants that, except as the Association shall otherwise agree:

(a) in the design, construction, and supervision of construction of the facilities included in the Project, Regideso shall at all times employ competent and experienced consultants acceptable to, and upon terms and conditions satisfactory to, Regideso and the Association; and

(b) all works included in the Project to be constructed under contract shall be constructed by contractors acceptable to Regideso and the Association, employed under contracts satisfactory to Regideso and the Association.

Section 2.03. (a) Regideso shall at all times carry on its operations under qualified and experienced management and staff satisfactory to the Association.

(b) Regideso shall at all times (i) conduct its operations in accordance with sound business, financial and public utility practices, and (ii) operate, maintain, renew and repair its plant and facilities in accordance with sound engineering and public utility practices.

(c) Regideso shall at all times maintain its existence and right to carry on operations and shall, except as the Association shall otherwise agree, take all steps necessary to acquire, maintain and renew all rights, powers, privileges and franchises which are necessary or useful in the conduct of its business.

Section 2.04. (a) As provided in Section 3.01 of the Credit Agreement, the specific goods to be financed out of the proceeds of the Credit, and the methods and procedures for procurement of such goods, shall be determined by agreement between the Association and Regideso, subject to modification by further agreement between them.

(b) Except as Regideso and the Association shall otherwise agree, Regideso : (i) shall cause all goods purchased in whole or in part with the proceeds of the Credit to be used exclusively in the carrying out of the Project; (ii) shall obtain title to all such goods free and clear of all encumbrances; and (iii) shall not sell or dispose of any goods purchased or paid for out of the proceeds of the Credit, other than such goods as shall have become worn out or obsolete.

Section 2.05. Upon request from time to time by the Association, Regideso shall promptly furnish or cause to be furnished to the Association the plans, specifications and work schedules for the Project and any material modifications subsequently made therein, in such detail as the Association shall reasonably request.

Section 2.06. Regideso shall maintain or cause to be maintained records adequate to identify the goods financed out of the proceeds of the Credit, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof), and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of Regideso; shall enable the Association's representatives to inspect the Project, the goods, and all the facilities operated by Regideso and any relevant records and documents; and shall furnish or cause to be furnished to the Association all such information as the Association shall reasonably request concerning the expenditure of the proceeds of the Credit, the Project, the goods and the administration, operations, and financial condition of Regideso.

Section 2.07. (a) Regideso and the Association shall cooperate fully to assure that the purposes of the Credit will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request.

(b) Regideso and the Association shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Credit and to the administration, operations and financial condition of Regideso. Regideso shall promptly inform the Association of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Credit or the performance by Regideso of its obligations under this Agreement or the obligations to be performed by it pursuant to the provisions of the Credit Agreement, or of any condition which shall increase or threaten to increase materially the estimated cost of the Project.

Section 2.08. Regideso shall from time to time take all steps necessary or desirable to obtain and maintain water and power rates at such levels as may be necessary to provide revenues sufficient to allow each of its Departments independently : (a) to cover operating expenses, including taxes, if any and interest, and to provide for adequate maintenance and depreciation based on realistic valuations of assets; (b) to meet repayments on indebtedness to the extent that any such repayments exceed provision for depreciation; and (c) to finance the normal year to year extensions and to provide a reasonable part of the cost of future major expansion. For the purposes of this Section the term "indebtedness" shall mean debt maturing by its terms more than one year after the date on which it is originally incurred.

Section 2.09. Except as shall otherwise be agreed between Regideso and the Association, Regideso shall not incur or permit any subsidiary to incur any indebtedness if, after the incurring of any such indebtedness, the ratio between the total indebtedness of Regideso and its subsidiaries and the total equity of Regideso and its subsidiaries would be higher than 40:60.

For the purposes of this Section :

(a) The term "indebtedness" shall mean debt, including debt assumed or guaranteed by Regideso, maturing by its terms more than one year after the date on which it is originally incurred;

(b) Indebtedness shall be deemed to be incurred on the date of execution and delivery of a loan or guarantee agreement providing for the incurring of such indebtedness.

(c) Whenever for the purposes of this Section it shall be necessary to value, in terms of the currency of the Borrower, indebtedness payable in another currency, such valuation shall be made on the basis of the prevailing rate of exchange at which such other currency is, at the time of such valuation, lawfully obtainable for the purposes of servicing such debt.

Section 2.10. (a) Regideso shall insure or cause to be insured with responsible insurers all goods financed out of the proceeds of the Credit. Such insurance shall cover such marine, transit and other risks incident to delivery of the goods into the territories of the Borrower and to the site of the Project, and shall be for such amounts, as shall be consistent with sound public utility practices. Any indemnity under such insurance shall be payable in freely convertible currencies or in the currency in which the cost of the goods insured thereunder shall be payable.

(b) Regideso shall, in addition to the insurance provided in subparagraph (a) of this Section, take out and maintain, with good and reputable insurance companies, insurance against such risks and in such amounts as shall be consistent with sound public utility and business practices.

Section 2.11. Regideso shall not, prior to the date on which the Subsidiary Loan Agreement shall terminate in accordance with its terms, undertake any major works not included in the Project, except to the extent that any such works shall be undertaken pursuant to a sound financial plan approved by the Association. For the purposes of this Section, the term "major work" means any work involving an investment exceeding in the aggregate the equivalent of two hundred thousand dollars (\$200,000).

Section 2.12. Regideso shall maintain separate accounts for its water and power operations and any other operations which it may subsequently undertake, and shall have its accounts regularly audited, at least once a year, in a manner satisfactory to the Association.

Article III

EFFECTIVE DATE; TERMINATION

Section 3.01. This Project Agreement shall come into force and effect on the Effective Date.

Section 3.02. This Project Agreement shall terminate and all obligations of the Association and Regideso hereunder shall cease and determine on the date on which the Credit Agreement shall terminate or on the date when the Subsidiary Loan Agreement shall terminate in accordance with its terms, whichever shall be the earlier.

Article IV

MISCELLANEOUS PROVISIONS

Section 4.01. Any notice or request required or permitted to be given or made under this Project Agreement and any agreement between the parties contemplated by this Project 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 or radiogram to the party to which it is required or permitted to be given or made at its 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 Regideso :

Le Directeur Général de la Regideso
Boîte Postale 660
Bujumbura, Burundi

Alternative address for cablegrams and radiograms :

Regideso
Bujumbura, Burundi

For the Association :

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

Alternative address for cablegrams and radiograms :

Indevas
Washington, D.C.

Section 4.02. Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Project Agreement on behalf of Regideso may be taken or executed by the General Manager of Regideso or such other person or persons as he shall designate in writing.

Section 4.03. Regideso shall furnish to the Association sufficient evidence of the authority of the person or persons who will, on behalf of Regideso, take any action or execute any documents required or permitted to be taken or executed by Regideso pursuant to any of the provisions of this Project Agreement and the authenticated specimen signature of each such person.

Section 4.04. This Project 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 have caused this Project Agreement to be signed in their respective names by their representatives thereunto duly authorized and delivered in the District of Columbia, United States of America, as of the day and year first above written.

Régie de Distribution d'Eau et d'Électricité :

By François KISIKURUME
Authorized Representative

International Development Association :

By J. Burke KNAPP
Vice President

LETTERS RELATING TO THE PROJECT AGREEMENT

RÉGIE DE DISTRIBUTION D'EAU ET D'ÉLECTRICITÉ

March 31, 1966

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433

Credit No. 85 BU (Bujumbura Water Supply Project)
Rates

Dear Sirs :

Please refer to Section 2.08 of the Project Agreement (*Bujumbura Water Supply Project*) of even date herewith between us which provides that Regideso shall from time to time take all steps necessary or desirable to obtain and maintain water and power rates at such levels as may be necessary to provide revenues sufficient to allow each of its departments independently, *inter alia*, to finance the normal year to year extensions and to provide a reasonable part of the cost of future major expansion.

The purpose of this letter is to record our agreement upon a mutually acceptable means of testing the adequacy of such rates.

Rates for the water, power and over-all operations shall be maintained (i) to cover all costs of the respective operations at all times; and (ii) to produce a rate of return of at least 6% on net fixed assets in operation, reasonably valued, at the earliest possible date, but in any event not later than the beginning of the financial year 1972. We

further agree that, at the end of 1967, and every two years thereafter, rates will be reviewed with you to establish conformance with the foregoing.

A complete physical inventory will be made of all fixed assets and the book value of each asset will be adjusted where necessary. Because we will need specialized assistance in undertaking the revaluation, we agreed that we will complete the work of inventory and revaluation within one year of the date of arrival of the staff engineer referred to in paragraph 1 (a) of the supplemental letter on management and operations. We understand that for the purpose of establishing rates we will, until January 1, 1970, charge depreciation on the value of assets prevailing prior to the revaluation.

In computing the rate of return, all operating and administrative expenses, including maintenance, depreciation and taxes, or payments in lieu of taxes (if any), will be deducted from gross revenues for the year in question and the resulting net income related to the average of the value of the net fixed assets (reasonably valued) in operation at the beginning and the closing of that year.

Please confirm your agreement with the foregoing by signing the form of confirmation on the enclosed copy of this letter and returning it to us.

Very truly yours,

Régie de Distribution d'Eau et d'Électricité :

By François KISIKURUME
Authorized Representative

Confirmed:

International development association :

By A. G. EL EMARY
Director, Africa Department

RÉGIE DE DISTRIBUTION D'EAU ET D'ÉLECTRICITÉ

March 31, 1966

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433

*Credit No. 85 BU (Bujumbura Water Supply Project)
Management and Operations*

Dear Sirs :

Please refer to sub-paragraphs (a) and (b) of Section 2.03 of the Project Agreement (*Bujumbura Water Supply Project*) of even date herewith between us.

1. Having already undertaken certain improvements in the management of our enterprise including the review of our accounting system, and the resumption of the practice of separating water and electricity accounts, we confirm that the following further action leading to the continued improvement of our management and staff will be taken by us :

- (a) The present staff of Regideso will be augmented by at least one staff member who has extensive training and experience in engineering.
- (b) For such time as is mutually agreed upon by Regideso and the Association, which shall depend on the period required to educate and train local personnel to take over the operations of Regideso, key posts now occupied by expatriate staff, and the new post created under paragraph (a) above, shall continue to be occupied by expatriate staff.
- (c) We shall take responsibility for selection of qualified high school graduates to be sent by the Government to foreign universities for advanced training in the fields of engineering and business administration, and who upon return, and after further in-service training within the Regideso organization, may be considered for key staff positions.
- (d) We shall arrange for the development of in-service training for personnel engaged in both the operation and administrative work of Regideso. We shall call upon various governments and international agencies to assist in providing specialized consultants.

2. Consistent with our intention to improve the operations of our enterprise, we shall use our best efforts to achieve, without delay and in any event not later than one year after the date of this letter, the following objectives with respect to the water supply system serving the Bujumbura area :

- (a) To reduce unaccounted for water to 30% or less.
- (b) To collect each month 92% or more of the value of all current bills.
- (c) To insure that immediate and uniform action is taken in the closing of all service connections where accounts are not promptly paid.

- (d) To enter into an agreement with the Government, any of the Government's agencies, Government owned or controlled enterprises and the municipality against whom we presently have delinquent claims providing for payment or settlement of such claims and for prompt payment of all subsequent bills.
- (e) To initiate studies and undertake appropriate action where feasible to expand installation of water connections through the adoption of a deferred payment plan or some similar policy to cover the cost of connections. We shall also undertake studies and adopt policies which, in association with the appropriate municipal agencies, will encourage reopening the public laundries in the city through procedures which provide for assessments to the users to cover costs.
3. If after the date set forth in paragraph (2) above the objectives therein referred to are not achieved to your satisfaction, we shall review the situation with you and, should you deem it necessary, retain, on terms and conditions satisfactory to you, the services of a qualified and experienced administrator to assist us in the improvement of our operations.
4. Please indicate your agreement with the foregoing by signing the form of confirmation on the enclosed copy of this letter and returning it to us.

Very truly yours,

Régie de Distribution d'Eau et d'Électricité :

By François KISIKURUME
Authorized Representative

Confirmed:

International Development Association :

By A. G. EL EMARY
Director, Africa Department