

No. 14427

**UNITED NATIONS
(UNITED NATIONS CAPITAL DEVELOPMENT FUND)
and
CHAD**

Grant Agreement — *Financing of Small Enterprises* (with annexes). Signed at N'Djamena on 14 November 1975

Authentic text: French.

Registered ex officio on 14 November 1975.

**ORGANISATION DES NATIONS UNIES
(FONDS D'ÉQUIPEMENT DES NATIONS UNIES)
et
TCHAD**

Accord de don — *Financement des petites entreprises* (avec annexes). Signé à N'Djamena le 14 novembre 1975

Texte authentique : français.

Enregistré d'office le 14 novembre 1975.

[TRANSLATION — TRADUCTION]

GRANT AGREEMENT¹ BETWEEN THE GOVERNMENT OF THE
REPUBLIC OF CHAD (hereinafter called the Government) AND THE
UNITED NATIONS CAPITAL DEVELOPMENT FUND (hereinafter
called the UNCDF)*Project Number:* CHD/74/C32*Project Title:* Financing of Small Enterprises*Approved:*

[Illegible]

For the Government

Date: 14 November 1975

[SALIF N'DIAYE]

For the UNCDF

Date: 14 November 1975*Article I. THE GRANT*

Section 1.01. The UNCDF agrees to make a grant (hereinafter called the Grant) available to the Government, upon the terms and conditions set forth or referred to in this Agreement, in the amount of one million and fifty thousand United States dollars (\$US 1,050,000) as a financial contribution to the project (hereinafter called the Project) described in annex I to this Agreement. Of this amount, \$US 800,000 shall be allocated to a bank guaranty fund, and the balance (\$US 250,000) shall be available for subscription to the equity capital of small enterprises where such participation in a prerequisite for rediscounting the loans with the Central Bank of the Central African States.

Section 1.02. (a) The UNCDF shall open a grant account (hereinafter called the Grant Account) on its books in the name of the Government, and shall credit the Grant Account with the amount of the Grant.

(b) The table below sets forth the categories of items to be financed out of the proceeds of the Grant and the allocations of the amounts to each category.

<i>Categories</i>	<i>Amount of the Grant allocated (in US dollars)</i>
(1) Guaranty Fund to cover 75 per cent of each bank loan granted to an enterprise	800,000
(2) Fund for subscribing up to 75 per cent of the equity capital of each small enterprise, provided such participation is a prerequisite for rediscounting the loans with the Central Bank of the Central African States	250,000
	TOTAL 1,050,000

(c) Disbursement shall be made from the Grant Account and the Project shall be administered in accordance with the conditions and provisions and by the

¹ Came into force on 14 November 1975 by signature, in accordance with section 6.01.

organizations set forth or referred to in an Administration Agreement, which shall be agreed and signed by the UNCDF and the organizations executing the Project. A model Administration Agreement, marked annex II, is attached to this Agreement.

(d) Notwithstanding the provisions of paragraph (c) of this section no disbursements shall be made in respect of:

- (i) any expenditures prior to the date of this Agreement;
- (ii) payments for taxes and other charges imposed under the laws of the Government or laws in effect in its territories on goods and services, or on the importation, manufacture, procurement or supply thereof.

Section 1.03. If the UNCDF has reasonably estimated that the portion of the Grant allocated to any category will be insufficient to finance the expenditures in that category, the UNCDF may, by notice to the Government, transfer to such category amounts allocated to any other category as in the opinion of UNCDF are not required to meet other expenditures.

Section 1.04. If the UNCDF has reasonably estimated that the purchase of any goods and services included in any category is inconsistent with the procedures set forth or referred to in this Agreement, any expenditures borne for the payment of such goods and services shall not be financed out of the proceeds of the Grant and the UNCDF may, without prejudice to any other right, power or remedy to which it is entitled under the Grant Agreement, cancel, by notice to the Government, such portion of the Grant as in the reasonable opinion of the UNCDF represents the amount of the expenditures that would otherwise have been eligible for financing out of the proceeds of the Grant.

Section 1.05. The UNCDF may by notice to the Government terminate the right of the Government to withdraw from the Grant Account any amount not withdrawn by 31 December 1978, or by such other date as shall be agreed between the Government and the UNCDF.

Article II. GENERAL PROVISIONS CONCERNING THE EXECUTION OF THE PROJECT

Section 2.01. The Government shall carry out the Project or, if another organization is designated for this purpose in this Agreement or in the attached annex, cause the Project to be carried out by such organization with due diligence and efficiency and in conformity with appropriate administrative, technical and financial practices and shall provide, as needed, all funds, facilities, services and other resources required therefor.

Section 2.02. (a) Contracts for the goods and services required for the Project and to be financed out of the proceeds of the Grant shall be awarded under the procedures set forth in the Administration Agreement, marked annex II, attached to this Agreement.

(b) The UNCDF may, in agreement with the Government, take steps to ensure that, for the procurement of the goods and services needed for the execution of the Project, the Government is provided with aid that is compatible with the policy of the UNCDF.

Section 2.03. Except as the Government and the UNCDF shall otherwise decide, the Government shall cause all goods and services financed out of the proceeds of the Grant to be used exclusively for the Project.

Section 2.04. The Government undertakes to insure, or make adequate provision for the insurance of the imported goods to be financed out of the proceeds of the Grant against all hazards incident to the acquisition, transportation and delivery

thereof to the place of use or installation and for such insurance any indemnity shall be payable in a currency freely usable by the Government to replace or repair such goods.

Section 2.05. The Government shall:

- (a) maintain records adequate to show the progress of the Project (including the cost thereof) and to identify the property and services financed out of the proceeds of the Grant, and to disclose the use thereof in the Project;
- (b) have such records audited every year and furnish to the UNCDF such records and the report of the audit thereof not later than six months after the end of the fiscal year of the Government;
- (c) enable the UNCDF's representatives to visit the facilities and construction sites included in, or relevant to, the Project, and to examine the property financed out of such proceeds and any relevant records and documents; and
- (d) furnish to the UNCDF all such information as the UNCDF shall reasonably request concerning the Project, the expenditure of the proceeds of the Grant and the property and services financed out of such proceeds.

Section 2.06. Except as the Government and the UNCDF shall otherwise decide, the Government shall not create or permit to be created any encumbrance, mortgage, pledge, charge or lien of priority of any kind on the goods financed out of the proceeds of the Grant, provided, however, that the foregoing provisions of this section shall not apply to any lien created on property, at the time of purchase of such goods, solely as security for the payment of the purchase price of such property.

Article III. CO-OPERATION AND INFORMATION

Section 3.01. (a) The Government and the UNCDF shall co-operate fully to assure that the purposes of the Grant will be accomplished. To that end, the Government and the UNCDF shall, at the request of any one of them:

- (i) exchange views through their representatives with regard to the progress of the Project, the benefits derived therefrom and the performance of their respective obligations under this Agreement and other matters relating to the purposes of the Grant; and
- (ii) furnish to the other Party all such information as it may reasonably request with regard to the progress of the Project, the benefits derived therefrom and the general status of the Grant.

(b) The Government and the UNCDF shall promptly inform each other of any condition which interferes with, or threatens to interfere with, the progress of the Project, the accomplishment of the purposes of the Grant, or the performance by any one of them of its obligations under this Agreement.

(c) After the completion of the Project, the Government shall make available to the UNCDF all such information as the UNCDF may reasonably request with regard to the benefits derived from the Project, including information necessary for the UNCDF to evaluate the Project or its assistance to the Government.

Article IV. SUSPENSION OR TERMINATION OF ASSISTANCE

Section 4.01. The UNCDF may by written notice to the Government suspend its assistance under this Agreement if in the judgement of the UNCDF any circumstance arises which interferes with or threatens to interfere with the successful completion of the Project or the accomplishment of its purposes.

The UNCDF may, in the same or in a subsequent written notice, indicate the conditions under which it is prepared to resume its assistance under this Agreement. Any

such suspension shall continue until such conditions are accepted by the Government and the UNCDF shall have given written notice to the Government that it is prepared to resume its assistance under this Agreement.

Section 4.02. If any situation referred to in section 4.01 shall occur and continue for a period of thirty days after notice thereof shall have been given by the UNCDF to the Government, then at any time thereafter during the continuance thereof, the UNCDF may by written notice to the Government terminate its assistance under this Agreement and require that the Government reimburse to the UNCDF the amount of the Grant disbursed from the Grant Account. The Government shall promptly reimburse such amount to the UNCDF upon receipt of such request.

Section 4.03. The provisions of this article shall be without prejudice to any other rights or remedies that the UNCDF may have in the circumstances, whether under the principles of law, the laws in effect in the territories of the Government, or other legislation.

Section 4.04. No delay in exercising, or omitting to exercise, any right or remedy of the UNCDF under this Agreement shall be construed as a waiver thereof.

Article V. INTERPRETATION AND SETTLEMENT OF DISPUTES

Section 5.01. The provisions of this agreement shall be interpreted in keeping with the relevant resolutions and decisions of the appropriate organs of the United Nations and any relevant matter for which no provision is made in this Agreement shall be settled by the Parties thereto in keeping with the said resolutions and decisions, each Party giving full and sympathetic consideration to any proposal advanced by the other Party under this section.

Section 5.02. Any dispute between the UNCDF and the Government arising out of or relating to this Agreement which is not settled by negotiation or other agreed mode of settlement shall be submitted to arbitration at the request of either Party. Each Party shall appoint one arbitrator, and the two arbitrators so appointed shall appoint a third, who shall be the chairman of the arbitration tribunal. If within thirty days after the request for arbitration either Party has not appointed an arbitrator or if within fifteen days after the appointment of two arbitrators the third arbitrator has not been appointed, either Party may request the President of the International Court of Justice to appoint an arbitrator. The procedure of the arbitration shall be fixed by the arbitrators, and the expenses of the arbitration shall be borne by the Parties as assessed by the arbitrators. The arbitral award shall contain a statement of the reasons on which it is based and shall be accepted by the Parties as the final adjudication of the dispute.

Article VI. DATE OF ENTRY INTO FORCE: TERMINATION

Section 6.01. This Agreement shall enter into force on the date of signature by the last Party.

Section 6.02. The obligations of the Parties under this Agreement shall terminate on a date three years after the date set forth in section 1.05 of this Agreement or three years after such other date as shall be agreed between the Government and the UNCDF in accordance with the provisions of the said section.

Article VII. REPRESENTATIVES OF THE PARTIES: ADDRESSES

Section 7.01. The Minister of Finance, Economic Affairs and Planning is designated as representative of the Government for the purpose of taking any action required or permitted to be taken under this Agreement on behalf of the Government.

Section 7.02. The UNCDF may by notice to the Government designate a person or persons as representative of the UNCDF for the purpose of receiving any documentation which is to be furnished to the UNCDF or of performing any act required or permitted to be performed by the UNCDF in accordance with the terms of this Agreement.

Section 7.03. The following addresses are specified for the purpose of transmitting any notice or request required or permitted to be given or made under this Agreement

For the Government:

The Minister of Finance, Economic Affairs and Planning,
N'Djamena

For the UNCDF:

United Nations Capital Development Fund
c/o Resident Representative
of the United Nations Development Programme
Boîte Postale 906
N'Djamena
Chad

IN WITNESS WHEREOF the Parties hereto, acting through their representatives thereunto duly authorized, have caused this Agreement to be signed in their respective names and on the respective dates written above.

A N N E X I

DESCRIPTION OF THE PROJECT

The Industrial Promotion Office of Chad (BPIT), assisted by the Director of Project CHD/72/009 of the United Nations Development Programme (UNDP), has identified a number of local entrepreneurs capable of establishing or enlarging enterprises; however, the entrepreneurs currently have no means of financing the investments.

The United Nations Capital Development Fund (UNCDF) will guarantee (for a total of \$800,000) up to 75 per cent of the loans granted by the commercial banks to such enterprises. The terms of the loans will be at least as favourable as those granted by banks in respect of loans to prime borrowers. Furthermore, the UNCDF will be authorized to subscribe up to 75 per cent of the equity capital (for a total amount of \$250,000) of enterprises, to enable them to meet the requirements of the Central Bank of the Central African States for the rediscounting of loans. Any project in which the total contribution of the UNCDF exceeds \$50,000 must be approved in advance by the Administration of the UNCDF. The commercial banks will be reimbursed in cases where a delay in payment by the enterprise benefitting from the loan exceeds six months. The banks will do their utmost to recuperate the sums owing to them, even if the corresponding amounts have already been reimbursed by the UNCDF. If these efforts enable sums to be recuperated, the bank in question will reimburse the UNCDF *pro rata*. Any share which the UNCDF holds in the equity capital of enterprises may be sold to a third party (the entrepreneur having the right of first refusal) or, in cases where the amount of the share, including a satisfactory provision for monetary adjustment, is repaid by the entrepreneur out of profits, the said share shall be transferred to the entrepreneur. All the above-mentioned provisions may be amended by the UNCDF at any time during the three years following the entry into force of the Grant Agreement.

ANNEX II

ADMINISTRATION AGREEMENT

Reference is made to the Grant Agreement between the Government of the Republic of Chad (the Government) and the United Nations Capital Development Fund (UNCDF) concerning the financing of small enterprises. The purpose of this Administration Agreement is to stipulate the conditions for implementing the Grant Agreement by specifying the respective responsibilities of the Industrial Promotion Office of Chad (BPIT), the Manager of Project CHD/72/009 (the Manager), the commercial banks participating in the project and the UNDP Resident Representative (RESREP).

A. Responsibilities of the RESREP

1. With regard to the Guaranty Fund, the RESREP shall make reimbursements to the commercial banks in accordance with the provisions stipulated in a Guaranty Agreement, which shall be signed by the RESREP and by each bank participating in the programme. The Guaranty Agreement shall follow the model attached in annex III.

2. Subscription by the UNCDF to the equity capital of enterprises shall be carried out by the RESREP upon presentation of requests submitted in writing by BPIT, including satisfactory financial information on each enterprise. No participation in the equity capital shall be effected unless such participation is needed to satisfy the requirements of the Central Bank of the Central African States for rediscounting of the loans.

3. For any project in respect of which the total contribution of the UNCDF exceeds \$50,000, the RESREP shall obtain the agreement of the Administration of the UNCDF.

B. Responsibilities of BPIT

BPIT, assisted by the Manager of Project CHD/72/009, shall be responsible for:

1. Identifying and evaluating enterprises which are expected to benefit from bank loans, and submitting to the commercial banks the files containing all the necessary information;
2. Supervising the day-to-day operations of enterprises benefitting from the loans.
3. Submitting to the RESREP a list of enterprises applying for the loans, a copy of the financial statement of each enterprise to whose equity capital a subscription is envisaged, and an annual statement indicating the financial results of the enterprises which benefitted from guarantees or from subscriptions to capital.

C. Responsibilities of the commercial banks

Each commercial bank participating in the programme shall sign the Guaranty Agreement, which shall follow the model attached in annex III. Within 30 days after the end of every six months, each participating bank shall provide the RESREP with a detailed statement indicating all the loans and reimbursements effected during the preceding six months. Within 30 days after the end of every six months, each bank shall also provide the RESREP with a state-

ment indicating every amount that has been recuperated out of debts for which the UNCDF has already assumed responsibility, and shall at the same time reimburse the UNCDF for all amounts owing to it.

Approved:

The Government of the Republic of Chad

[Illegible]

For the Government

Date: 14 November 1975

United Nations Capital Development Fund

[SALIF N'DIAYE]

The Permanent Representative of the United Nations Development Programme

Date: 14 November 1975

Industrial Promotion Office of Chad (BPIT)

[Illegible]

For BPIT

Date: 14 November 1975

[Illegible]

The Manager of Project CHD/72/009

Date: 14 November 1975

A N N E X I I I

GUARANTY OF BANK LOANS GRANTED TO SMALL-SCALE INDUSTRIES

By the bank

Between the bank

Represented by the

and the United Nations Capital Development Fund (UNCDF), represented by Mr. Salif N'Diaye, Resident Representative of the United Nations Development Programme, duly authorized, acting in that capacity.

It has been agreed as follows:

1. Under the general and specific conditions stipulated below, the UNCDF shall guarantee the loans granted by the bank to the industries of Chad.

2. General Conditions:

2.1. The UNCDF may guarantee:

The credits for small-scale industrial projects submitted by the Industrial Promotion Office of Chad, which shall specifically ensure that such projects are in the interest of the economic development of Chad.

2.2. The UNCDF shall guarantee these credits up to an amount equal to 75 per cent of the outstanding total of the credit in question. This total will equal at any particular time the amount of the credit granted, plus interest and expenses due, minus reimbursements and payments already made.

2.3. The UNCDF shall guarantee the credits granted under conditions at least equivalent to, if not better than, those normally granted in Chad.

2.4. The bank shall do its utmost to recuperate sums remaining due to it by a defaulting debtor, even if the corresponding amounts have already been repaid by the UNCDF. If

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