

# DBSA



## IMPLEMENTATION

Loan Agreement

**LOAN AGREEMENT**

entered into by and between

**BLOEM AREA REGIONAL SERVICES COUNCIL**

and

**DEVELOPMENT BANK OF SOUTHERN AFRICA**

in respect of the

**JAGERSFONTEIN WATER AND SANITATION PROJECT**

PROJECT NO: 10219

## S U M M A R Y of the FINANCIAL TERMS OF THE LOAN

1. LOAN AMOUNT : R4 220 800
2. LOAN PERIOD : 20 Years
3. INTEREST RATE : 10 per centum per annum
4. GRACE PERIOD FOR  
CAPITAL REPAYMENT : 3 years
5. CAPITALISATION OF INTEREST: Nil
6. CAPITAL REPAYMENT : 34 equal six-monthly instalments, commencing on the last day of the 7th Half-year after the Half-year during which the first disbursement was advanced to the Borrower.

**PREAMBLE**

WHEREAS the DBSA has entered into a Principle Agreement with the Borrower in terms of which this Loan Agreement is concluded simultaneously; and

WHEREAS this Addendum determines the loan amount, the interest rate and the repayment of the capital and interest, the Project Description (Annexure A), the Application and Source of Funds Statement (Annexure BI), the Conditions of Disbursement (Annexure BII) and the Consultants and Contractors appointed (Annexure C) pertaining to the Project;

NOW THEREFORE IT IS HEREBY AGREED AS FOLLOWS:

**1. THE LOAN**

- 1.1 DBSA shall lend to the Borrower on the terms and conditions set forth in this agreement an amount not exceeding in aggregate R4 220 800 (four million two hundred and twenty thousand eight hundred Rand) at the rate of interest set forth in clause 2 hereunder.
- 1.2 The capital amount of the Loan shall be repaid in 34 (thirty four) equal six-monthly instalments, commencing at the end of the 7th (seventh) Half-year after the Half-year during which the first advance was made to the Borrower from the proceeds of the Loan, and thereafter at the end of each succeeding Half-year until the Loan together with interest thereon shall be fully repaid; provided that the Borrower may, with 1 (one) month written notice to DBSA, make repayments in excess of the abovementioned or repay the full amount outstanding. An instalment shall be a fixed amount, determined as at the outset of the 7th (seventh) Half-year after the Half-year during which the first advance was made to the Borrower from the proceeds of the Loan, calculated as being sufficient to amortise the outstanding amount, plus interest at the rate set out in clause 2.1 hereof, in 34 (thirty four) equal six-monthly payments.
- 1.3 Should, at the outset of the said 7th (seventh) Half-year, part of the Loan still not be drawn by the Borrower, the amount of instalments shall be adjusted as and when drawings take place, in order to achieve amortisation over the original period of the Loan. The right of the Borrower to make further withdrawals on the Loan after the 7th (seventh) Half-year may be terminated by DBSA on furnishing the Borrower with 30 (thirty) days written notice to that effect.

**2. INTEREST**

- 2.1 The Loan shall bear interest on the amount from time to time outstanding at a rate of 10% (ten per centum) per annum.
- 2.2 Interest on the amount from time to time outstanding shall be calculated at the end of each Half-year and shall be paid to DBSA on or before such dates.

### **3. SUSPENSIVE CONDITIONS**

The operation of this addendum is subject to:

- 3.1 the Borrower entering into an agreement with the Local Authority to the effect that the terms and conditions between DBSA and the Borrower will be complied with in order to ensure the effective and efficient implementation and maintenance of the Project at local authority level; and
- 3.2 the relevant Local Authority confirming in writing to DBSA that no financing other than what is reflected in Annexure B has been secured or will be mobilised for the purpose of the Project.

### **4. FURTHER TERMS AND CONDITIONS**

- 4.1 The Borrower will assist and encourage the Local Authority to promote employment creation during the construction of the Project by assisting and encouraging it to indicate in all tender documentation its intention to favour construction methods that generate employment opportunities. The Borrower will ensure that the Local Authority will adjudicate tenders accordingly, and assess the benefits in terms of the extent of additional work opportunities to be derived and the premium to be paid (if any) to achieve this benefit.
- 4.2 In the event of additional finance, other than that provided for in Annexure BI, being secured for the purpose of this Project, the Borrower shall procure that such finance will be offset against the outstanding balance of the Loan.

## **PROJECT DESCRIPTION**

### **1. PROJECT OBJECTIVE**

To provide and increase access to appropriate water supply and sanitation systems in order to facilitate the urbanisation process and enhance the quality of life of the poor residents in the town. The Project is specifically aimed at contributing towards better health and environmental conditions (as stipulated in the RDP) by eliminating shortages and limited access to water and so paving the way for effective and efficient sanitation.

### **2. PROJECT RATIONALE**

The upgrading of the water supply and sanitation systems will enhance the quality of life of poor communities who are concentrated in towns as a result of urbanisation. Water care and management will further contribute towards the improvement of general environmental conditions. The implementation of the project will create much needed employment and entrepreneurial opportunities. The net impact will contribute to urban reconstruction and development.

### **3. PHYSICAL DESCRIPTION**

#### **3.1 Element 1: Jagersfontein/Itumeleng Bulk Water**

- 1 The installation of a stand-by shaft pump with switchgear as an emergency standby facility.
- The construction of a balancing dam.

#### **3.2 Element II: Jagersfontein/Itumeleng Bulk Sanitation**

- The construction of new oxidation dams consisting of 2 primary , 2 secondary, 3 tertiary and one irrigation dam.
- The construction of an outfall sewer.

#### **3.3 Element III: Jagersfontein/Itumeleng Internal Water**

The upgrading and extension of the internal water reticulation system, including the installation of water meters and site connections.

#### **3.4 Element IV: Jagersfontein/Itumeleng Internal Sanitation**

The installation of a waterborne sewerage system. It includes the installation of a main line and site connections with toilet structures.

### **4. PRINCIPLES AND CRITERIA TO BE APPLIED DURING THE IMPLEMENTATION OF THE PROJECT**

- 4.1 A range of material use and construction methods will be considered, with the emphasis on locally available skills and labour intensive methods.

- 4.2 Stimulation and promotion of entrepreneurial skills.
- 4.3 Labour intensive activities will be promoted.
- 4.4 Sound financial control during and after the implementation of the project will be introduced and maintained.
- 4.5 The beneficiaries will be involved in the preparation, implementation and management of the Project.

## **5. PROJECT MANAGEMENT**

- 5.1 A Project the Project in a coherent manner. The Borrower must further procure that the PSC will ensure that effect is given to this Project Description. The PSC will consist of representative of the following institutions: the Borrower, Local Authority, local community members and consultants. DBSA will monitor the operation of the PSC and progress with the implementation of the Project.
- 5.2 The Borrower must ensure that the Local Authority's consultant is held responsible for the detailed design, preparation of contract documents, contract administration, monitoring costs and progress, quality control, contractor's payment certification, reporting and liaison with the PSC.
- 5.3 The works will be constructed by local contractors who will employ and manage local entrepreneurs and other resources.

## **6. MATTERS AGREED UPON**

- 6.1 The Borrower will assist and encourage the Local Authority to promote the training and employment of small contractors in the area.
- 6.2 The Borrower will encourage the Local Authority to utilise existing skills and capacities in the local community for the purpose of the long term operations and maintenance of the Project.
- 6.3 Operating and Maintenance arrangements will be finalised during the implementation of the Project.
- 6.4 The Borrower will inform the Local Authority, and all parties concerned, of the impact of this Project on the long term fiscal position and tariff structure of the Local Authority.
- 6.5 The Borrower will encourage the Local Authority and its consultant to adopt policies and approaches consistent with acceptable environmental management practices.

## APPLICATION AND SOURCE OF FUNDS STATEMENT (10219/1/1)

Description	Total (R)	DBSA (R)	%	Borrower (R)	%	Other (R)	%
JAGERSFONTEIN BULK WATER							
PROFESSIONAL FEES & SUPERVISION	49,030	23,430	47.8	9,180	18.7	16,420	33.5
CONSTRUCTION COST	280,030	133,870	47.8	52,440	18.7	93,720	33.5
CONTINGENCIES 10%	27,960	13,370	47.8	5,240	18.7	9,350	33.4
ESCALATION AT 12%	12,580	6,020	47.9	2,360	18.8	4,200	33.4
Totals	369,600	176,690	47.8	69,220	18.7	123,690	33.5

VAT excluded

Discrepancies in totals due to rounding off



## APPLICATION AND SOURCE OF FUNDS STATEMENT (10219/2/1)

Description	Total (R)	DBSA (R)	%	Borrower (R)	%	Other (R)	%
ITUMELENG							
CONSTRUCTION	912,030	292,120	32.0	114,480	12.6	505,430	55.4
CONTINGENCIES 10%	91,190	29,220	32.0	11,430	12.5	50,540	55.4
ESCALATION	91,640	29,350	32.0	11,500	12.5	50,790	55.4
PROFESSIONAL FEES	162,980	52,210	32.0	20,410	12.5	90,360	55.4
Totals	1,257,840	402,900	32.0	157,820	12.5	697,120	55.4

VAT excluded

Discrepancies in totals due to rounding off

## APPLICATION AND SOURCE OF FUNDS STATEMENT (10219/3/1)

Description	Total (R)	DBSA (R)	%	Borrower (R)	%	Other (R)	%
JAGERSFONTEIN							
CONSTRUCTION COSTS	901,290	370,540	41.1	145,190	16.1	385,560	42.8
CONTINGENCIES 10%	90,120	37,050	41.1	14,510	16.1	38,560	42.8
ESCALATION 12%	86,150	35,410	41.1	13,880	16.1	36,860	42.8
PROFESSIONAL FEES	99,680	41,020	41.2	16,020	16.1	42,640	42.8
Totals	1,177,240	484,020	41.1	189,600	16.1	503,620	42.8

VAT excluded

Discrepancies in totals due to rounding off

## APPLICATION AND SOURCE OF FUNDS STATEMENT (10219/4/1)

Description	Total (R)	DBSA (R)	%	Borrower (R)	%	Other (R)	%
<b>ITUMELENG</b>							
CONSTRUCTION COSTS	4,339,300	1,700,990	39.2	666,550	15.4	1,971,760	45.4
CONTINGENCIES 10%	433,840	170,100	39.2	66,560	15.3	197,180	45.4
ESCALATION 12%	720,700	281,340	39.0	113,240	15.7	326,120	45.3
PROFESSIONAL FEES	476,130	186,980	39.3	72,300	15.2	216,850	45.5
<b>JAGERSFONTEIN</b>							
CONSTRUCTION COSTS	1,538,580	610,280	39.7	239,600	15.6	688,700	44.8
CONTINGENCIES 10%	153,800	61,100	39.7	23,900	15.5	68,800	44.7
ESCALATION 12%	166,090	66,980	40.3	23,530	14.2	75,580	45.5
PROFESSIONAL FEES	200,040	79,420	39.7	31,060	15.5	89,560	44.8
<b>Totals</b>	<b>8,028,480</b>	<b>3,157,190</b>	<b>39.3</b>	<b>1,236,740</b>	<b>15.4</b>	<b>3,634,550</b>	<b>45.3</b>

VAT excluded

Discrepancies in totals due to rounding off

## ANNEXURE BII

TERMS AND CONDITIONS OF DISBURSEMENT

Disbursement of each progress claim in respect of the amount financed by DBSA is to be effected as a ratio of actual cost of each item (for each phase) in accordance with the Application and Source of Funds Statement (Annexure BI), read together with the Project Description (Annexure A), to the maximum amount of R4 220 800. This is subject to submission to DBSA of fully documented proof of expenditure incurred by the Borrower or the Local Authorities in respect of supplier(s), consultant(s) and/or contractor(s), of actual claims (or in-house expenses incurred), as approved by the Borrower or its authorised representative. Each progress claim is to be in the itemised format as depicted in Annexure BI.

LIST OF CONSULTANTS AND CONTRACTORS ALREADY APPOINTEDCONSULTANT

1. V-3 Consulting Engineers Inc.
2. Cah de Vries

CONTRACTORS

1. Contract BR 94/3/1: Jagersfontein Sanitation Project: Pro Care Civil Engineering
2. Contract BR 94/3/2: Supply and Installation of Pumping Plant: Hidro Tech
3. Contract B5 1510/94: the Construction of a Sewer and Water Reticulation Network for Itumeleng: Nucon Civil