

CONFORMED COPY

CREDIT NUMBER 1815 GUI

(Transport Sector Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

PORT AUTONOME DE CONAKRY

Dated August 28, 1987

CREDIT NUMBER 1815 GUI

PROJECT AGREEMENT

AGREEMENT, dated August 28, 1987 between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and PORT AUTONOME DE CONAKRY (PAC).

WHEREAS (A) by the Development Credit Agreement of even date herewith between the Republic of Guinea (the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to forty-two million eight hundred thousand Special Drawing Rights (SDR 42,800,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that PAC agree to undertake such obligations toward the Association as are set forth in this Agreement;

(B) by a subsidiary loan agreement to be entered into between the Borrower and PAC, part of the proceeds of the credit provided for under the Development Credit Agreement will be made

available to PAC on the terms and conditions set forth in said Subsidiary Loan Agreement; and

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Development Credit Agreement, the Preamble to this Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth, and the term "Master Plan" means the master plan for the Conakry port, prepared by the consulting firm Prof. Dr. Lackner and Partners, volume 12, titled "Plan Directeur du Port" with attached drawings, dated March 17, 1981, as may be amended from time to time in accordance with the provisions of Section 3.09 of this Agreement.

ARTICLE II

Execution of the Project

Section 2.01. PAC declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement, and, to this end, shall carry out Part B of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and port practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for Part B of the Project.

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

Section 2.03. PAC shall carry out the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project Agreement and Part B of the Project.

Section 2.04. PAC shall duly perform all its obligations under the Subsidiary Loan Agreement. Except as the Association shall otherwise agree, PAC shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the Subsidiary Loan Agreement or any provision thereof.

Section 2.05. (a) PAC shall, at the request of the Association, exchange views with the Association with regard to the progress of Part B of the Project, the performance of its obligations under this Agreement and under the Subsidiary Loan Agreement, and other matters relating to the purposes of the Credit.

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

ARTICLE III

Management and Operations of PAC

Section 3.01. PAC shall carry on its operations and conduct

its affairs in accordance with sound administrative, financial, technical and port practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 3.02. PAC shall at all times operate and maintain its plant, machinery, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial and port practices.

Section 3.03. PAC shall take out and maintain with responsible insurers, or make other provision satisfactory to the Association for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

Section 3.04. PAC shall open and maintain one or more commercial bank accounts on terms and conditions acceptable to the Association, in which it shall deposit or cause to be deposited all its revenues.

Section 3.05. PAC shall: (a) not later than December 31, 1987, furnish to the Association for its review and comment a plan of action for improving port security; and

(b) thereafter promptly implement said plan in a manner and in accordance with a timetable acceptable to the Association.

Section 3.06. PAC shall carry out the program to strengthen PAC's financial management referred to in Section 6.01 (d) of the Development Credit Agreement.

Section 3.07. PAC shall: (a) take such steps as shall be necessary to improve the efficiency of port operations in order to achieve the operational targets set forth in Schedule 2 to this Agreement; and

(b) monitor, in accordance with procedures satisfactory to the Association, the progress being made in achieving said targets.

Section 3.08. PAC shall not, until the Project shall have been completed, make any investment, in addition to expenditures for the Project, in excess of the equivalent of \$1,000,000 in any year unless such investment shall, in the opinion of the Association, be technically, financially and economically viable.

Section 3.09. PAC shall consult with the Association on any proposals which could result in a significant change or changes in its Master Plan or its statutes and by-laws and shall allow the Association a reasonable period of time to comment thereon before making or authorizing said changes.

Section 3.10. PAC shall, not later than December 31, 1987:

(a) employ two qualified and experienced engineers as counterparts to the consultants employed for the supervision of civil works;

(b) establish, and thereafter maintain, a unit to give impetus to and coordinate the implementation of the Project, and prepare progress reports; such unit to be headed by the Project coordinator under the direct authority of PAC's General Manager.

Section 3.11. PAC shall, not later than June 30, 1988, submit to the Association for its approval a training program (including a timetable) for PAC staff, and promptly thereafter carry out such program as shall have been satisfactory to the Association.

Section 3.12. PAC shall, not later than December 31 in each year starting December 31, 1987, enter into a contractual arrangement with an independent contractor acceptable to the

Association to carry out under terms and conditions acceptable to the Association cleaning and maintenance works for all port facilities (including navigation aids) during the following fiscal year.

ARTICLE IV

Financial Covenants

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

(b) PAC shall:

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

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditures, PAC shall:

- (i) maintain, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit report for 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;
- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditures submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. Not later than October 1 in each year during the execution of the Project, PAC shall: (a) furnish to the Association for its review and comments its proposed budget for PAC's subsequent Fiscal Year; and

(b) take into account comments, if any, made by the Associa-

tion in establishing that budget.

Section 4.03. PAC shall: (a) at least every five years, carry out a revaluation of the net value of its fixed assets, to such extent as shall be necessary to reflect adequately, at the time of each such revaluation, the current value thereof in accordance with a sound and consistently applied method of valuation, acceptable to the Association; and

(b) for those years in which such a revaluation is not carried out, revalue said assets by applying to its asset and depreciation amounts an annual cost index, also in accordance with a sound and consistently applied method of valuation, acceptable to the Association.

Section 4.04. (a) Except as the Association shall otherwise agree, PAC shall, on January 1 of each year, take or cause to be taken all such measures (including, but not limited to, adjustments of the structure or of the levels of its port tariffs) as shall be required for PAC: (i) to ensure that it meets the local costs of the Project from its internally generated funds available for investments and (ii) to achieve or maintain the financial targets set forth in Schedule 3 to this Agreement.

(b) Before September 30 in each of its fiscal years, PAC shall, on the basis of forecasts to be prepared by PAC in a manner satisfactory to the Association, review the adequacy of its tariffs to meet the requirements set forth in Schedule 3 to this Agreement for the current and next following Fiscal Year and shall furnish to the Borrower and the Association the results of such review upon its completion for their approval.

(c) PAC shall, not later than June 30, 1992, take all necessary steps to ensure that, not later than January 1, 1993, the structure and level of PAC's tariffs are adjusted to reflect the opening of the container terminal and traffic conditions; such adjustments shall be made in a manner acceptable to the Association.

(d) For the purposes of this Section the term "internally generated funds available for investment" means the difference between:

- (i) the sum of gross revenues from port operations, and any reduction in non-cash working capital; and
- (ii) the sum of all working expenses, as defined in Schedule 3 to this Agreement, interest and other charges on debt, repayments of loans, all taxes or payments in lieu thereof, all cash dividends and other cash distributions or payments in lieu thereof, increase in net working capital other than needed to achieve the ratios as set forth in Schedule 3 to this Agreement, and any other cash outflows other than cash expenditures related to Port operations.

Section 4.05. Except as the Association shall otherwise agree, PAC shall: (a) not incur any debt during the period of execution of the Project; and

(b) after Project completion, not incur any debt unless the amount of its net cash revenue for the Fiscal Year next preceding the date of such incurrence or for a later twelve-month period ending prior to such incurrence, whichever amount is the greater, shall be not less than 1.25 times the maximum debt service requirements for any succeeding fiscal year on all its debt. For the purposes of this Section:

- (i) the term "debt" means any debt by PAC maturing more than one year after the date on which it is originally incurred, including debt assumed or

guaranteed by PAC;

- (ii) debt shall be deemed to be incurred: (A) under a loan contract or agreement or other instrument providing for such debt on signature of such loan contract, agreement or instrument; and (B) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into, but only to the extent that the guaranteed debt is outstanding;
- (iii) the term "net cash revenue" means gross operating revenue from all sources, less all operating expenses including adequate maintenance, taxes, if any, and administration expenses, but before provision for depreciation and debt service requirements; and
- (iv) the term "debt service requirements" means the aggregate amount of repayments (including sinking fund payments, if any) and interest and other charges on debt.

Section 4.06. (a) Except as the Association shall otherwise agree, PAC shall maintain a ratio of current assets to current liabilities of not less than 2.0.

(b) Before September 30 in each of its fiscal years, PAC shall, on the basis of forecasts prepared by PAC and satisfactory to the Association, review whether it would meet the requirements set forth in paragraph (a) 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.

(c) If any such review shows that PAC would not meet the requirements set forth in paragraph (a) for PAC's fiscal years covered by such review, PAC shall promptly take all necessary measures (including, without limitation, adjustments of the structure or levels of its rates) in order to meet such requirements.

(d) For the purposes of this Section:

- (i) the term "current assets" means cash, all assets which could in the ordinary course of business be converted into cash within twelve months, including accounts receivable, marketable securities, inventories and pre-paid expenses properly chargeable to operating expenses within the next fiscal year;
- (ii) the term "current liabilities" means all liabilities which will become due and payable or could under circumstances then existing be called for payment within twelve months, including accounts payable, customer advances, debt service requirements, taxes and payments in lieu of taxes, and dividends; and
- (iii) the term "debt service requirements" means the aggregate amount of repayments (including sinking fund payments, if any) of, and interest and other charges on, debt.

Section 4.07. (a) Except as the Association shall otherwise agree, PAC shall earn, for each of its fiscal years after its fiscal year ending on December 31, 1987, an annual return of not less than 6.0% of the average current net value of PAC's fixed assets in operation.

(b) Before September 30 in each of its fiscal years, PAC shall, on the basis of forecasts prepared by PAC and satisfactory

to the Association, review whether it would meet the requirements set forth in paragraph (a) 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.

(c) If any such review shows that PAC would not meet the requirements set forth in paragraph (a) for PAC's fiscal years covered by such review, PAC shall promptly take all necessary measures (including, without limitation, adjustments of the structure or levels of its rates) in order to meet such requirements.

(d) For the purposes of this Section:

- (i) the annual return shall be calculated by dividing PAC's net operating income for the fiscal year in question by one half of the sum of the current net value of PAC's fixed assets in operation at the beginning and at the end of that fiscal year;
- (ii) the term "net operating income" means total operating revenues less total operating expenses;
- (iii) the term "total operating revenues" means revenues from all sources related to operations;
- (iv) the term "total operating expenses" means all expenses related to operations, including administration, adequate maintenance, taxes and payments in lieu of taxes, and provision for depreciation, in accordance with accounting methods generally accepted in ports or on any other basis acceptable to the Association, of the average current gross value of PAC's fixed assets in operation, but excluding interest and other charges on debt;
- (v) the average current gross value of PAC's fixed assets in operation shall be calculated as one half of the sum of the gross value of PAC's fixed assets in operation at the beginning and at the end of the fiscal year, as valued from time to time in accordance with the methods of valuation referred to in Section 4.03 of this Agreement; and
- (vi) the term "current net value of PAC's fixed assets in operation" means the gross value of PAC's fixed assets in operation less the amount of accumulated depreciation, as valued from time to time in accordance with the methods of valuation referred to in Section 4.03 of this Agreement.

Section 4.08. Whenever for the purposes of this Article 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

Effective Date; Termination;
Cancellation and Suspension

Section 5.01. This Agreement shall come into force and effect on the date upon which the Development Credit Agreement becomes effective.

Section 5.02. (a) This Agreement and all obligations of the Association and of PAC thereunder shall terminate on the earlier

of the following two dates:

- (i) the date on which the Development Credit Agreement shall terminate in accordance with its terms; or
- (ii) the date 20 years after the date of this Agreement.

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

Section 5.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

ARTICLE VI

Miscellaneous Provisions

Section 6.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

440098 (ITT)
248423 (RCA) or
64145 (WUI)

For PAC:

Port Autonome de Conakry
B.P. 805
Conakry
Republique de Guinee

Telex:

776 PAC GE

Section 6.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of PAC, or by PAC on behalf of the Borrower under the Development Credit Agreement, may be taken or executed by PAC's Director General or such other person or persons as the Director General shall designate in writing, and PAC shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 6.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia,

United States of America, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Ismail Serageldin
Acting Regional Vice President
Africa

PORT AUTONOME DE CONAKRY

By /s/ Tolo Beavogui
Authorized Representative

SCHEDULE 1

Procurement and Consultants' Services

Section I: Procurement of Goods and Works

Part A: International Competitive Bidding

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

2. Bidders for the works included in Part B of the Project shall be prequalified as described in paragraph 2.10 of the Guidelines.

3. To the extent practicable, contracts for all works shall be grouped in one bid package.

Part B: Other Procurement Procedures

Goods estimated to cost less than the equivalent of \$20,000 per contract, up to an aggregate amount not to exceed the equivalent of \$100,000, may be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

Part C: Review by the Association of Procurement Decisions

1. Review of prequalification:

With respect to the prequalification of bidders as provided in Part A.2 hereof, the procedures set forth in paragraph 1 of Appendix 1 to the Guidelines shall apply.

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

(a) With respect to each contract estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply.

(c) The provisions of the preceding subparagraphs (a) and (b) shall not apply to contracts on account of which the Associa-

tion has authorized withdrawals from the Credit Account on the basis of statements of expenditure. Such contracts shall be retained in accordance with Section 4.01 (c) (ii) of this Agreement.

3. The figure of 20% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II: Employment of Consultants

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

SCHEDULE 2

Operational Targets for Port Operations (Section 3.07 of the Project Agreement)

	1986 (actual)	1989 (target)	1991 (target)
Tons of general cargo per ship/day handled	550	800	1000
Tons of general cargo per gross gang hour	15	18	20

SCHEDULE 3

FINANCIAL TARGETS FOR PORT OPERATIONS (SECTION 4.04 OF THE PROJECT AGREEMENT)

1988 and beyond

1. WORKING RATIO: Not to exceed 60
2. OPERATING RATIO: Not to exceed 80
3. WORKING CAPITAL RATIOS
 - Minimum Cash: 2 months working expenses
 - Accounts Receivable: Not to exceed 3 months' Gross Operating Revenues
 - Inventories: Not to exceed in value 6 months' spare part needs for the coming 12 months' period, nor fall below 3 months' needs.
 - Accounts Payable: Not to exceed 3 months' supplier accounts and other current expenditures.

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4. CURRENT RATIO: Not less than 2.0
5. RETURN ON ASSETS: Not less than 6.0%
6. CASH FLOW TARGETS 1992 and beyond
 - Debt Service Coverage: Not less than 1.25

For the purposes of this Schedule the following terms shall have the following meaning:

(a) "working ratio" means the ratio which working expenses bear to gross operating revenue;

(b) "operating ratio" means the ratio which operating expenses bear to gross operating revenue;

(c) "working expenses" means the aggregate of all expenses related to PAC's port operations, including administration, adequate maintenance, taxes or any payments in lieu of taxes;

(d) "operating expenses" means the aggregate of working expenses as defined above and provision for depreciation and amortization of intangibles;

(e) "gross operating revenue" means the sum of revenues from all sources related to PAC's ports operations; and

(f) "debt service coverage" means the ratio of annual debt-service requirement as defined in Section 4.05 (b)(iv) of this Agreement over the net cash revenue as defined in Section 4.05 (b)(iii) of this Agreement.
