

CONFORMED COPY

GEF TRUST FUND GRANT NUMBER TF051249

Global Environment Facility Trust Fund Grant Agreement

(Decentralized Rural Electrification Project)

between

REPUBLIC OF GUINEA

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

acting as an Implementing Agency of the Global Environment Facility

Dated July 8, 2002

GEF TRUST FUND GRANT NUMBER TF051249

GLOBAL ENVIRONMENT FACILITY TRUST FUND GRANT AGREEMENT

AGREEMENT, dated July 8, 2002, between REPUBLIC OF GUINEA (the Recipient) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) acting as an implementing agency of the Global Environment Facility (GEF) in respect of grant funds

provided to the GEF Trust Fund by certain members of the Bank as participants of the GEF.

WHEREAS (A) the Bank, pursuant to Resolution No. 91-5 of March 14, 1991 of the Executive Directors of the Bank, established the GEF to assist in the protection of the global environment and promote thereby environmentally sound and sustainable economic development;

(B) following the restructuring of the GEF, such arrangements continued in place on the basis set forth in Resolution No. 94-2 of May 24, 1994, of the Executive Directors of the Bank which, *inter alia*, established the GEF Trust Fund and appointed the Bank as trustee of the GEF Trust Fund (Resolution No. 94-2);

(C) the second replenishment of the GEF Trust Fund was approved on the basis set forth in Resolution No. 98-2 of July 14, 1998, of the Executive Directors of the Bank (Resolution No. 98-2);

(D) the Recipient, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement (the Project), has requested assistance from the resources of the GEF Trust Fund for funding the Project, and said request having been approved in accordance with the provisions of the Instrument for the Establishment of the Restructured Global Environment Facility approved under Resolution 94-2, and to be funded from contributions to the GEF Trust Fund under Resolution No. 98-2, which may include funds carried over from the first replenishment of the GEF Trust Fund under Resolution No. 94-2;

(E) the Recipient has also requested the International Development Association (the Association) to provide additional financing towards the financing of the Project by an agreement of even date herewith between the Recipient and the Association, and the Association has agreed to provide such assistance in an aggregate principal amount equivalent to four million one hundred thousand Special Drawing Rights (SDR 4,100,000) (the Credit); and

WHEREAS the Bank has agreed, on the basis, *inter alia*, of the foregoing, to extend the GEF Trust Fund Grant to the Recipient upon the terms and conditions set forth in this Agreement;

NOW THEREFORE, the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01 (a) The following provisions of the General Conditions Applicable to Loan and Guarantee Agreements for Single Currency Loans of the Bank, dated May 30, 1995 (as amended through October 6, 1999) (the General Conditions), constitute an integral part of this Agreement:

- (i) Article I;
- (ii) Sections 2.01 (1), (2), (3), (4), (6), (8), (9), (10), (11), (15), (18) and (20), 2.02 and 2.03;

- (iii) Section 3.01;
 - (iv) Section 4.01 and the first sentence of Section 4.09;
 - (v) Article V;
 - (vi) Sections 6.01, 6.02 (a), (c), (d), (e), (f), (i) and (k), 6.03, 6.04 and 6.06;
 - (vii) Section 8.01 (b);
 - (viii) Sections 9.01 (a) and (c), 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09;
 - (ix) Sections 10.01, 10.03 and 10.04;
 - (x) Article XI; and
 - (xi) Sections 12.01 (c), 12.03 and 12.04.
- (b) The General Conditions shall be modified as follows:
- (i) a new paragraph shall be added to the end of Section 2.01 to read as follows: “the term “Special Drawing Rights” and the symbol “SDR” mean special drawing rights as valued by the International Monetary Fund in accordance with its Articles of Agreement”;
 - (ii) the term “Bank”, wherever used in the General Conditions, other than in Sections 2.01 (8) and 6.02 (f) thereof and the last use of such term in Section 5.01 thereof, means the Bank acting as an implementing agency of the GEF, except that in Section 6.02, the term “Bank” shall also include the Bank acting in its own capacity;
 - (iii) the term “Borrower”, wherever used in the General Conditions, means the Recipient;
 - (iv) the term “Loan Agreement”, wherever used in the General Conditions, means this Agreement;
 - (v) the term “Loan” and “loan”, wherever used in the General Conditions, means the GEF Trust Fund Grant;
 - (vi) the term “Loan Account”, wherever used in the General Conditions, means the GEF Trust Fund Grant Account;
 - (vii) the second sentence of Section 5.01 is modified to read: “Except as the Bank and the Borrower shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a member of the Bank or for services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, if such payment or import, to the knowledge of the Bank, is prohibited by a decision of the United Nations Security Council taken under Chapter VII

of the Charter of the United Nations.”; and

- (viii) a new subparagraph is added after subparagraph (j) in Section 6.02 of the General Conditions, as follows: “an extraordinary situation shall have arisen in which any further disbursement under the GEF Trust Fund Grant would exceed the resources available for disbursement from the GEF.”

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions and in the Recitals to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) “Administrative and Operational Manual” or “AOM” means the manual referred to in paragraph 1 (a) of Schedule 4 to this Agreement and comprising the procedures, guidelines, timetables and criteria which shall be followed by the Recipient in the implementation of the Project;

(b) “Beneficiary” means a PDES (as hereinafter defined) which has met the eligibility criteria set out in the Project Administrative and Operational Manual and the requirements of Schedule 4 to this Agreement and, as a result, has been extended, or is entitled to be extended, a Grant or a Subloan;

(c) “BERD” means *Bureau d’Electrification Rurale Décentralisée*, referred to in Part C of Schedule 2 and paragraph 2 (a) of Schedule 4 to this Agreement;

(d) “BICI-GUI” means *Banque Internationale pour le Commerce et l’Industrie*, a Bank established and operating under the Borrower’s laws and regulations, pursuant to its statutes dated February 23, 1996 (the BICI-GUI Statutes);

(e) “Development Credit Agreement” means the agreement of even date herewith between the Recipient and the Association for the Project, as such agreement may be amended from time to time; and such term includes the “General Conditions Applicable to Development Credit Agreements” of the Association, dated January 1, 1985 (as amended through October 6, 1999), as applied to such agreement, and all schedules and agreements supplemental to the Development Credit Agreement;

(f) “DNE” means the *Direction Nationale de L’Energie*, the National Directorate of Energy within MHE (as hereinafter defined);

(g) “EDG” means *Electricité de Guinée*, or its successor, a company established and operating under the laws of the Borrower;

(h) “FERD” means *Fonds pour l’Electrification Rurale Décentralisée*, the decentralized electrification financing mechanism to be established pursuant to Part B of the Project;

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

(j) “Franc Guinéen” or “GNF” mean the currency of the Recipient;

(k) “Grant Agreement” means the agreement between BERD and a Beneficiary setting forth the terms and conditions under which proceeds of the GEF Trust Fund Grant shall be made available to such a Beneficiary for the purpose of financing a Subproject;

(l) “Grant” means a grant made, or proposed to be made, by BERD to a Beneficiary for the purpose of financing a Subproject;

(m) “Initial Deposit” means the initial amount referred to in Section 3.03 (b) (i) of this Agreement;

(n) “MHE” means *Ministère de l’Hydraulique et de l’Energie*, the Recipient’s Ministry of Water and Energy;

(o) “Midterm Review” means the midterm review referred to in paragraph 8 (a) of Schedule 4 to this Agreement;

(p) “PDES” means a provider or providers of decentralized rural electrification services referred to in Part A.1 of the Project;

(q) “Project Account” means the account referred to in Section 3.03 (a) of this Agreement;

(r) “Project Year” means the 12 month period beginning from the Effective Date and ending 12 months thereafter and each successive 12 month period following thereafter;

(s) “Special Account” means the account referred to in Schedule 5 to this Agreement;

(t) “Steering Committee” means *Comité de Pilotage*, a Steering Committee of BERD whose role and functions are described in Part A.3 of Schedule 4 to this Agreement;

(u) “Subloan” means a loan made or proposed to be made by the Recipient, through BERD, under the FERD to a Beneficiary to finance a Subproject;

(v) “Subloan Agreement” means the agreement for a Subloan referred to in paragraph 5 of Schedule 4 to this Agreement; and

(w) “Subproject” means a specific rural electrification activity to be carried out under the Project which is financed, or proposed to be financed, through a Grant or a Subloan.

ARTICLE II

The GEF Trust Fund Grant

Section 2.01. The Bank agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, the GEF Trust Fund Grant an amount in various currencies equivalent to one million six hundred thousand Special Drawing Rights (SDR

1,600,000).

Section 2.02. (a) The amount of the GEF Trust Fund Grant may be withdrawn from the GEF Trust Fund Grant Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of services and Grants required for carrying out the Project and to be financed out of the proceeds of the GEF Trust Fund Grant.

(b) The Recipient may, for the purposes of the Project, open and maintain in dollars a special deposit account in a commercial bank on terms and conditions satisfactory to the Bank including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2006 or such later date as the Bank shall establish. The Bank shall promptly notify the Recipient of such later date.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Recipient declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and technical practices and with due regard to ecological and environmental factors, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Recipient and the Bank shall otherwise agree, the Recipient shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. Except as the Bank shall otherwise agree, procurement of consultants' services required for the Project and to be financed out of the proceeds of the GEF Trust Fund Grant shall be governed by the provisions of Schedule 3 to this Agreement.

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

(a) open an account in Francs Guinéens in a commercial bank acceptable to the Bank (the Project Account), and thereafter maintain the Project Account under terms and conditions acceptable to the Bank until the completion of the Project;

(b) deposit into the Project Account: (i) an initial amount of GNF 400,000,000 (the Initial Deposit); and (ii) thereafter, at annual intervals, replenish the Project Account by the amounts required to finance the Recipient's contribution for expenditures under the Project other than those financed from the proceeds of the GEF Trust Fund Grant or the Credit, as shall be agreed upon between the Recipient and the Bank; and

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

Section 3.04. For the purposes of Section 9.08 of the General Conditions and without limitation thereto, the Recipient shall:

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six months after the Closing Date or such later date as may be agreed for this purpose between the Recipient and the Bank, a plan for the future operation of the Project; and

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

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Recipient shall establish and maintain and cause to be established and maintained a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Bank, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Recipient shall:

(i) have the records, accounts and financial statements referred to in paragraph (a) of this Section and the records and accounts for the Special Account and the Project Account, for each fiscal year audited, in accordance with auditing standards acceptable to the Bank, consistently applied, by independent auditors acceptable to the Bank;

(ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year: (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited; and (B) an opinion on such statements, records and accounts and report of such audit, by said auditors, of such scope and in such detail as the Bank shall have reasonably requested, including, as part of the information to be provided in each such report, a management letter concerning the Recipient's internal controls; and

(iii) furnish to the Bank such other information concerning said records and accounts, and the audit thereof, and concerning said auditors, as the Bank may from time to time reasonably request.

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

(i) maintain or cause to be maintained, in accordance with paragraph (a) of

this Section, records and accounts reflecting such expenditures;

- (ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Grant Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank'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 expenditure 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. (a) Without limitation upon the Recipient's progress reporting obligations set out in Section 4.01, the Recipient shall prepare and cause BICI-GUI to prepare and furnish to the Bank a Financial Monitoring Report, in form and substance satisfactory to the Bank, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the GEF Trust Fund Grant, and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Bank not later than 45 days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each Financial Monitoring Report shall be furnished to the Bank not later than 45 days after each subsequent calendar.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (k) of the General Conditions, the following additional event is specified, namely, that a situation has arisen which shall make it improbable that the Project or a significant part thereof will be carried out.

ARTICLE VI

Effectiveness, Termination

Section 6.01. The following event is specified as an additional condition to the effectiveness of the GEF Trust Fund Grant within the meaning of Section 12.01 (c) of the General Conditions, namely that all conditions precedent to the effectiveness of the Development Credit Agreement, other than those related to the effectiveness of this Agreement, have been fulfilled.

Section 6.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 6.03. This Agreement shall continue in effect until the GEF Trust Fund Grant has been fully disbursed and the parties to this Agreement have fulfilled their obligations hereunder.

ARTICLE VII

Representative of the Recipient; Addresses

Section 7.01. The Minister for the time being responsible for Finance is designated as representative of the Recipient for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Recipient:

Ministre de l'Economie
et des Finances
Conakry, Guinea

Telex:

22399 MIFIGE

Facsimile:

(224) 42 21 02

(224) 49 17 17

(224) 45 54 32

For the Bank:

International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

INDEVAS
Washington, D.C.

Telex:

248423 (MCI) or
64145 (MCI)

Facsimile:

(202) 477 6391

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

REPUBLIC OF GUINEA

By /s/ Alimou Diallo

Acting Authorized Representative

INTERNATIONAL BANK FOR RECONSTRUCTION AND
DEVELOPMENT

as an implementing agency of the Global Environment Facility

By /s/ Theodore O. Ahlers

Acting Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the GEF Trust Fund Grant

1. The table below sets forth the Categories of items to be financed out of the proceeds of the GEF Trust Fund Grant, the allocation of the amounts of the GEF Trust Fund Grant to each Category and the percentage of expenditures for items so to be financed in each Category:

<u>Category</u>	Amount of the GEF Trust Fund Grant Allocated (Expressed in <u>SDR Equivalent</u>)	% of Expenditures <u>to be Financed</u>
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(1) Grants for Subprojects	1,200,000	100% of the amounts disbursed
(2) Consultants' services	200,000	80%
(3) Unallocated	200,000	
TOTAL	1,600,000	

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (a) payments made for expenditures prior to the date of this Agreement; and (b) Payments made for expenditures under category (1) unless the Grant or the Subloan has been made in accordance with the eligibility criteria, procedures, and the terms and conditions set forth or referred to in Schedule 4 to this Agreement and further specified in the AOM.

3. The Bank may require withdrawals from the GEF Trust Fund Grant Account to be made on the basis of statements of expenditure for expenditures for: (i) consulting firms under contracts not exceeding \$100,000 equivalent each; and (ii) individual consultants under contracts not exceeding \$50,000 equivalent each, as well as for all the Grants for Subprojects, all under all such terms and conditions as the Bank shall specify by notice to the Recipient.

4. If the Bank shall have determined at any time that any payment made from the GEF Trust Fund Grant Account was used for any expenditure not consistent with the provisions of this Agreement, the Recipient shall, promptly upon notice from the Bank, refund to the Bank for deposit into the GEF Trust Fund Grant Account, an amount equal to the amount so used or the portion thereof as specified by the Bank.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Recipient in increasing access to electricity in rural and peri-urban areas, through the establishment of policies, incentive systems and institutional mechanisms to promote: (i) the facilitation of private investment in energy projects in rural communities; (ii) the establishment of community-based, decentralized and affordable village electrification schemes; (iii) the establishment of independent credit sources and technical support structures; and (iv) the promotion of renewable energy technologies, wherever feasible.

The Project consists of the following Parts, subject to such modifications thereof as the Recipient and the Bank may agree upon from time to time to achieve such objectives:

Part A: Capacity Building

1. The creation of technical and financial capacity for the carrying out of decentralized village level electrification projects through the development of a sustainable framework designed to: (i) facilitate the efficient operation of providers of decentralized rural electrification services (PDES); and (ii) assist: (A) the PDES in the identification and setting up of electricity service delivery in rural areas under concession arrangements, and (B) village associations to organize

service delivery through an operator or operators; (iii) facilitate the monitoring and evaluation of the operations of the PDES; and (iv) facilitate the dissemination and replication of decentralized village level electrification projects

2. The provision of technical advisory services for the activities required under Part A.1 above.

Part B: Financing Mechanism

The development of a decentralized electrification financing mechanism (FERD) for the provision of Subloans and Grants to beneficiaries to carry out specific rural electrification activities.

Part C: Project Coordination and Management

1. The establishment of (BERD) to: (i) promote and facilitate rural electrification activities; and (ii) assist in the development of technical and financial capacity required for the promotion and carrying out of the said activities, through the provision of technical advisory and training to BERD personnel, and the acquisition of vehicles and equipments.

2. The development of a national rural electrification program, including: (i) the preparation of regulations for the said program; (ii) the initiation of pilot and demonstration rural electrification activities involving the joint participation of energy providers, financiers and village communities; (iii) .the submission and evaluation of business plans for proposed energy projects; and (iv) the award of concessions to qualified providers.

* * *

The Project is expected to be completed by June 30, 2006.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

1. Goods and works shall be procured in accordance with: the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines).

Part B: Procurement Procedures

1. National Competitive Bidding

Goods estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$1,500,000 equivalent may be procured under contracts awarded in

accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. International or National Shopping

Goods estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$1,500,000 equivalent, may: (i) if available in the local market, be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines; or (ii) if not available in the local market, be procured on the basis of international shopping procedures in accordance with the provisions of the said paragraphs of the Guidelines.

3. Direct Contracting

Goods which must be purchased from the original supplier to be compatible with existing equipment or are of a proprietary nature and estimated to cost \$5,000 equivalent or less per contract, up to an aggregate amount not to exceed \$100,000 equivalent, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

4. Community Participation

Works required for Part B of the Project, may be procured in accordance with procedures acceptable to the Association as specified in the AOM.

Part C: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to: (i) each contract for goods estimated to cost the equivalent of \$100,000 or more, and (ii) the first five contracts estimated to cost the equivalent of more than \$50,000 but less than \$100,000, under National Competitive Bidding, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) With respect to each contract for goods estimated to cost the equivalent of \$5,000, but less than \$50,000 equivalent to be procured on the basis of shopping or direct contracting procedures, the following procedures shall apply:

- (i) prior to the selection of any supplier or execution of any contract under shopping procedures, the Borrower shall provide to the Association a report on the comparison and evaluation of quotations received;
- (ii) prior to the execution of any contract procured under direct contracting or

shopping procedures, the Borrower shall provide to the Association a copy of the specifications and the draft contract; and

- (iii) the procedures set forth in paragraphs 2 (f), 2 (g) and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

1. Consultants' services shall be procured in accordance with: the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Association in January 1997 and revised in September 1997 and January 1999 (the Consultant Guidelines).

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants for services estimated to cost less than \$100,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Least-cost Selection

Services for the carrying out of financial audits of the Project may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Selection Based on Consultants' Qualifications

Services estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$800,000, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

3. Individual Consultants

Services involving tasks that meet the requirements set forth in paragraph 5.1 of the

Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part D: Review by the Association of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2 (a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$50,000 or more, but less than the equivalent of \$100,000, the procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(c) With respect to: (i) each contract for the employment of individual consultants estimated to cost the equivalent of \$10,000 or more; and (ii) the first five contracts for the employment of consultants estimated to cost less than \$10,000, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

SCHEDULE 4

Implementation Program

Part A: Implementation Arrangements

1. (a) The Recipient shall prepare and furnish to the Bank an Administrative and Operational Manual in form and substance satisfactory to the Bank, the said Manual being subject from time to time to modification by agreement between the Recipient and the Bank. The Project Implementation Manual shall set out details of all procedures, guidelines, timetables and criteria required for the Project including the eligibility criteria to be met by Beneficiaries applying for

Subloans and Grants.

(b) The Recipient shall carry out the Project in accordance with the Administrative and Operational Manual and, except as the Bank shall otherwise agree, shall not amend or waive any provision of the Administrative and Operational Manual if, in the opinion of the Bank, such amendment or waiver may materially and adversely affect the carrying out of the Project or the achievement of the objectives thereof.

2. (a) The Borrower shall maintain BERD in a form and with functions, staffing and resources satisfactory to the Association. The staff of BERD shall include, *inter alia*, a director, an accountant, a procurement specialist, two technical experts and a financial expert with qualifications and experience acceptable to the Association.

(b) BERD's functions shall include: (i) the identification, catalyzing and supervision of the first decentralized rural electrification activities to be carried out under the Project; (ii) the training of stakeholders (including potential PDES) in the development of business plans and in the preparation of Subproject proposals; (iii) the launching of an awareness and information campaign for the benefit of potential Beneficiaries; (iv) providing through FERD financing assistance for rural electrification activities; and (v) communicate to BICI-GUI all information it has on the PDESs and the Sub-Projects.

3. (a) The Recipient shall establish and thereafter maintain in BERD a Steering Committee in a form and with functions, membership, staffing and resources satisfactory to the Bank.

(b) The membership of the Steering Committee shall include: (i) the National Director of Energy as Chairman; (ii) a representative of the Ministry in charge of Economy and Finance; (iii) a representative of the Ministry in charge of regional development and decentralization; (iv) a representative of EDG; (v) the manager of BERD; (vi) a representative of *Banque Internationale pour le Commerce et l'Industrie* (BICI-GUI); and (vii) a representative or representatives of the private sector. The Steering Committee shall be concerned with: (A) the monitoring and evaluation of Program activities including the provision of technical support for BERD and financial support for FERD; (B) the conduct of annual financial audits of BERD and FERD; and (C) the approval of BERD's annual work program and budget.

4. The Recipient shall employ, in accordance with the provisions of Section II of Schedule 3 to this Agreement, a local commercial bank satisfactory to the Bank to administer FERD.

Part B: Terms and Conditions of Grants and Subloans

5. BICI-GUI shall enter into agreements satisfactory to the Bank for the making of Grants or a Subloans under the Project.

6. The terms and conditions of a Grant Agreement shall, *inter alia*:

(a) provide that (i) the Beneficiary carries out the Subproject with due diligence and efficiency and in accordance with sound technical, financial, environmental and managerial standards, and maintains adequate records to reflect, in accordance with sound accounting practices, the operations, resources and expenditures relating to the Subproject; (ii) the services to be financed from the proceeds of the Grant shall (A) be procured in accordance with procedures

ensuring efficiency and economy and in accordance with the provisions of Schedule 3 to this Agreement, and (B) be used exclusively in the carrying out of the Subproject; and

(b) reserve for the Borrower the right to (i) inspect by itself, or jointly with the Bank, if the Bank shall so request, the goods, works, sites, plants and construction included in the Subproject, the operations thereof and any relevant records and documents; (ii) obtain all information as the Recipient or the Bank shall reasonably request regarding the administration, operation and financial conditions of the Beneficiary; and (iii) suspend or terminate the right of the Beneficiary to use the proceeds of the Grant or the Subloan upon the failure by the Beneficiary to perform any of its obligations under the Grant Agreement or the Subloan Agreement.

Part C: Monitoring, Evaluation and Reviews

7. The Recipient shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis the carrying out of the Project, in accordance with performance indicators satisfactory to the Association;

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about December 1 of each year commencing on December 1, 2002 a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Bank, by June 30, or such later date as the Bank shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank's views on the matter.

8. (a) No later than 24 months after the Effective Date or such other date as the Recipient and the Bank shall agree upon, the Recipient and the Bank shall carry out a midterm review (the Midterm Review). The Recipient shall take all actions it considers necessary to ensure the participation of the PDES, relevant Nongovernmental Organizations (NGOs) and Beneficiaries in such Midterm Review. Such Midterm Review shall cover the progress achieved in the carrying out of the Project.

(b) No later than one month prior to the Midterm Review, the Recipient shall furnish to the Bank, for its review and comments, a report, in such detail as the Bank shall reasonably request, on the carrying out of the Project.

(c) Following such Midterm Review, the Recipient shall act promptly and diligently in order to take any corrective action deemed necessary by the Bank to remedy any shortcoming noted in the carrying out of the Project or to carry out such other measures as may have been agreed upon between the Recipient and the Bank in furtherance of the objectives of the Project.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term “eligible Categories” means Categories (1) through (2) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term “eligible expenditures” means expenditures in respect of the reasonable cost of services as well as Grants required for the Project and to be financed out of the proceeds of the GEF Trust Fund Grant allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term “Authorized Allocation” means an amount equivalent to \$200,000 to be withdrawn from the GEF Trust Fund Grant Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$100,000 until the aggregate amount of withdrawals from the GEF Trust Fund Grant Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 800,000.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Recipient shall furnish to the Bank a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Recipient, withdraw from the GEF Trust Fund Grant Account and deposit into the Special Account such amount or amounts as the Recipient shall have requested.

(b) (i) For replenishment of the Special Account, the Recipient shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.

(ii) Prior to, or at the time of each such request, the Recipient shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Recipient, withdraw from the GEF Trust Fund Grant Account and deposit into the Special Account such amount as the Recipient shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the respective Special Account for eligible expenditures. All such deposits shall be

withdrawn by the Bank from the GEF Trust Fund Grant Account under the eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Recipient out of the Special Account, the Recipient shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Recipient directly from the GEF Trust Fund Grant Account in accordance with the provisions of Article V of the General Conditions and Section 2.02 of this Agreement;

(b) if the Recipient shall have failed to furnish to the Bank, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Bank shall have notified the Recipient of its intention to suspend in whole or in part the right of the Recipient to make withdrawals from the GEF Trust Fund Grant Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the GEF Trust Fund Grant allocated to the eligible Categories for the Special Account minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the GEF Trust Fund Grant Account of the remaining unwithdrawn amount of the GEF Trust Fund Grant allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Recipient. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Bank, the Recipient shall, promptly upon notice from the Bank: (a) provide such additional evidence as the Bank may request; or (b) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Recipient has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Recipient shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Recipient may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Bank made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the GEF Trust Fund Grant Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

