

GRANT NUMBER H867-GN

Financing Agreement

(MSME Development Project)

between

REPUBLIC OF GUINEA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated *August 20, 2013*

GRANT NUMBER H867-GN

FINANCING AGREEMENT

AGREEMENT dated August 20, 2013, entered into between REPUBLIC OF GUINEA ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equivalent to Six Million Seven Hundred Thousand Special Drawing Rights (SDR 6,700,000) ("Financing"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Payment Dates are February 15 and August 15 in each year.
- 2.05. The Payment Currency is Dollar.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall carry out the Project through the Ministry of Industry and Small and Medium Enterprises (MISME) in accordance with the provisions of Article IV of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — EFFECTIVENESS

- 4.01. The Additional Conditions of Effectiveness consist of the following:
 - (a) The Recipient shall have established the Project Implementation Unit with a mandate, staffing and resources acceptable to the Association; and recruited financial management, monitoring and evaluation and procurement specialists to be selected in accordance with the provisions Section III of Schedule 2 to this Agreement.
 - (b) The Recipient shall have established the Steering Committee in accordance with Section I.A.3 of Schedule 2 to this Agreement.
- 4.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE V— REPRESENTATIVE; ADDRESSES

5.01. Except as provided in Section 2.02 of this Agreement, the Recipient's Representative is the Minister of Economy and Finance.

5.02. The Recipient's Address is:

Ministry of Economy and Finance
BP 579
Conakry
Republic of Guinea

5.03. The Association's Address is:


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

Cable:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI)	1-202-477-6391

AGREED at Conakry, Republic of Guinea, as of the day and year first above written.

REPUBLIC OF GUINEA

By



Authorized Representative
Name: K. YANSANE

Title: Ministre d'Etat
Economie et Finances

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative

Name: CHEICK F. KANTE

Title: COUNTRY
MANAGER

SCHEDULE 1

Project Description

The objective of the Project is to support the development of MSMEs in various value chains and to improve selected business processes of the Recipient's investment climate. The Project consists of the following parts:

Part 1: Establishment of Support Centers (SCs) for SME Development

- 1.1. Support to the MISME for the establishment of two regional SCs and one SC oriented towards women's entrepreneurship in Conakry to provide: (i) the technical and financial plan of implementation for the SCs; (ii) the selection, financing of specialists' fees and training of staff, including specialized training on the value chain and mentoring programs; (iii) one-stop-shop services; (iv) technical support to include: laboratory activities, technical assistance to SMEs on production process and technical support for project developers or new entrants; (v) research activities to include market opportunities, information on existing technologies, identification of bottlenecks and opportunities for further innovation of products and processes and transport options for local and international markets; (vi) provision of services, including training activities for SMEs as well as travel and consultancy services; (vii) small-size equipment; and (ix) renovation of existing buildings made available by the Recipient for the Project.

Part 2: Support to Investment

2.1. Facilitating Investment

Support to the Agency for the Promotion of Private Investment (APIP) to build its capacity through:

- (i) strengthening the business registration one-stop-shop ("Guichet Unique") through: (a) improving connectivity with several administrations (CNSS, Tax registration, Commercial Registry) including back office systems; (b) the computerization of the commercial registry (RCCM);
- (ii) building APIP investment facilitation capacity through: (a) development of an investment promotion strategy; (b) preparation of marketing materials and investors lists for of 4-6 sub-industries; (c) wide dissemination of marketing instruments among stakeholders and the private sector together with a list of quick win activities aimed at enhancing sectors' attractiveness; (d) provision of assistance to APIP in preparing the tools to facilitate investors' enquiries; (e) provision of coaching to APIP in improving its website content and layout; and (f)

supporting APIP in launching targeted investment promotion campaigns outside of the Recipient's territory.

- (iii) promoting public private dialogue (PPD) through: (a) development of a roadmap for the PPD platform; (b) establishing a new secretariat on PPD within APIP; (c) organizing meetings among policy makers, central and local private sector representatives; (d) provision of office equipment; and (e) continued institutional and technical capacity-building of APIP to support PPD.

2.2. Credit Information System and Payment System

- (i) Support for the establishment of a comprehensive credit reporting system (CRS) and modernization of the payment system at the Credit Bureau of the Republic of Guinea (CBRG) through: (a) building awareness on critical credit reporting issues through seminars and targeted events; (b) undertaking of preparatory studies work of the main features of the CRS; (c) provision of institutional TA and IT to establish the system; (d) training CBRG staff to operate and oversee the system; (e) training of financial institutions on the usage of the system; and (f) provision of TA on the legal and regulatory framework underpinning the system.
- (ii) Support for technical assistance activities to strengthen payment systems through: (a) assisting CBRG staff in the operationalization of the ACH, CBA, Interconnection, RTGS, and electronic banking; (b) assisting CBRG staff in setting-up a payment systems unit and an oversight function and finally; (c) assisting CBRG staff in the drafting of a legal framework underpinning such systems; and (d) technical assistance to create capacity at CBRG for the continuous development of the payment system and credit reporting system, as well as to deal with increased foreign exchange flows.

Part 3: Project Implementation and M&E

- 3.1. Support to the Recipient to establish and maintain a Project Implementation Unit (PIU) and the Steering Committee (SC) coordinated by MISME, to manage the Project, including technical and financial management, procurement and monitoring and evaluation of the Project.

SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. Institutional Arrangements

Institutional Arrangements

1. The Recipient shall vest responsibility for overall implementation of the Project in the Ministry of Industry and Small and Medium Enterprises (MISME).
2. Project Implementation Unit: (a) The Recipient shall, at all times during Project implementation, maintain a Project Implementation Unit (PIU) within the MISME; (b) The Recipient shall ensure that the PIU is, at all times during Project implementation, staffed, at a minimum with staff listed in Section 4.01 (a) (ck, no 4.01 (c))?? of this Agreement; (c) The responsibilities of the PIU shall include, *inter alia*, coordination, management, implementation, monitoring, evaluation and supervision of the Project, as well as drafting and implementing Project plans in coordination with government ministries, and management of Project resources; (d) The PIU shall ensure that budgetary, procurement, disbursement, accounting, auditing, and reporting arrangements are carried out in accordance with agreed procedures satisfactory to the Association; and (e) Other PIU responsibilities shall include organizing the SC meetings, providing all necessary information on project performance and monitoring to the SC and the Association, developing and implementing the Project communication policy and implementing the monitoring and evaluation framework for the Project.
3. Steering Committee: (a) The Recipient shall, at all times during Project implementation, maintain a Steering Committee with a mandate, composition and resources acceptable to the Association for the purposes of overseeing the execution of the Project; (b) The Steering Committee shall be composed of: (i) the Minister of Industry and SMEs (or his/her representative), acting as chair; (ii) the representatives from the Ministry of Finance, APIP, CBRG, the Presidency, the Office of the Prime Minister, private sector associations and other relevant agencies; and (iii) other membership proposed by the Recipient and acceptable to the Association; and (c) The Steering Committee shall facilitate project execution by: (i) providing strategic guidance for Project implementation; (ii) reviewing and coordinating Project-led initiatives and reforms; and (iii) eliminating blockages that could delay Project implementation.

B. Project Implementation Manual (PIM)

1. The Recipient shall carry out the Project in accordance with the Project Implementation Manual which sets out details of all procedures, guidelines and timetables for Project implementation, and includes, *inter alia*: (i) technical, administrative and institutional arrangements for the coordination and management of the Project, including, *inter alia*, allocation of responsibilities implementing agencies, yearly planning of activities and budget and time frames for those activities; (ii) control mechanisms to ensure that adequate internal controls are in place for the preparation, approval and recording of transactions as well as segregation of duties; (iii) detailed arrangements and guidelines for the overall carrying out of the Project including, *inter alia*, financial management, procurement and accounting procedures, preparation of Annual Work Plans, monitoring and evaluation, and internal control systems for the Project; (iv) technical and organizational arrangements; and (v) process, triggers, criteria and impact evaluation for the sequencing of SCs under Part 1.1 of the Project.
2. Except as the Recipient and the Association may otherwise agree in writing, the Recipient shall not abrogate, amend, repeal, suspend, waive or otherwise fail to enforce the Project Implementation Manual or any provision thereof.
3. In case of any conflict between the terms of the Project Implementation Manual and those of this Agreement, the terms of this Agreement shall prevail.

C. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 (“Anti-Corruption Guidelines”).

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators acceptable to the Association. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than one month after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association not later than one month after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient, commencing with the fiscal year in which the first withdrawal was made under the PPA for the Project. The audited Financial Statements for each such period shall be furnished to the Association not later than six months after the end of such period.

Section III. Procurement

A. General

1. **Procurement and Consultant Guidelines.** All goods, works, non-consulting-services and consultants' services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:
 - (a) Section I of the "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 ("Procurement Guidelines"), and in the case of goods, works and non-consulting services, and Sections I and IV of the "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 ("Consultant Guidelines") in the case of consultants' services; and
 - (b) the provisions of this Section III, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines ("Procurement Plan").
2. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the World Bank of

particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods, Works and Non-consulting Services

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan: (a) Limited International Bidding; (b) National Competitive Bidding, subject to the following additional provisions: (i) four weeks will be provided for preparation and submission of bids, after the issuance of the Invitation for Bids or availability of the bidding documents, whichever is later; (ii) for all procurement of goods and works, the SBD published by the Bank for ICB will be used and modified in order to adapt it to the current situation; (iii) bids will be advertised in national newspapers with wide circulation; (iv) bids will be presented and submitted only in one internal envelope (no system with two envelopes will be used); (v) bid evaluation, bidder qualifications criteria, and the contract award criteria will be clearly specified in the bidding documents; (vi) no preference margin will be granted to domestic bidders; (vii) eligible firms, including foreign firms, will not be excluded from the competition; (viii) the procedures will include the publication of the results of evaluation and of the award of the contract, and provisions for bidders to protest; and (ix) if the Procurement Code does not apply to small contracts, the procedures will require that for such contracts, a competitive method be used e.g. the shopping method). In addition, any other adjustment will be taken into account when the Bank determines during the project execution as necessary in order to assure economy, efficiency, transparency, and broad consistency with the provision included in the Section I of the Guidelines; (c) Shopping; and (d) Direct Contracting.

C. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.
2. **Other Methods of Procurement of Consultants' Services.** The following methods, other than Quality- and Cost-based Selection, may be used for procurement of consultants' services for those assignments which are specified in

the Procurement Plan: (a) Selection under a Fixed Budget; (b) Least Cost Selection; (c) Selection based on Consultants' Qualifications; (d) Single-source Selection of consulting firms; and (e) Selection of Individual Consultants.

D. Review by the World Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the World Bank's Prior Review. All other contracts shall be subject to Post Review by the World Bank.

Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance 100% inclusive of Taxes of Eligible Expenditures.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing ("Category"), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Grant Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, and consultants' services for the Project	5,633,000	100%
(2) Refinancing of PPA	1,067,000	
TOTAL AMOUNT	6,700,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement.
2. The Closing Date is December 31, 2017.

Section V. Other Undertakings

The Recipient shall:

- (a) no later than one month after the Effective Date, employ an accountant, an agribusiness specialist and a rural development specialist;
- (b) no later than two (2) months after Effective Date, set up an adequate accounting software system; and
- (c) no later than four (4) months after Effective Date, appoint an external auditor under terms of reference acceptable to the Association.

APPENDIX

Section I. Definitions

1. “Agency for the Promotion of Private Investment” or “APIP” means the investment promotion agency for the Recipient created under MSME in 2011, and now located under the Presidential Administration.
2. “Annual Work Plan” means, for each Fiscal Year during Project implementation, the Recipient’s annual work plan and related budget for such year which has been approved by the Association in accordance with the provisions of Section I.B of Schedule 2 to this Agreement.
3. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011.
4. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
5. “CBRG” means Central Bank of the Republic of Guinea.
6. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011.
7. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010.
8. “MSME” means Micro, Small and Medium Enterprise.
9. “MISME” means the Recipient’s Ministry of Industry and Small and Medium Enterprises.
10. “Office of the Prime Minister” means the Office of the Prime Minister of the Republic of Guinea.
11. “Presidency” means the Office of the President of the Republic of Guinea, provided for in Title III of the Recipient’s Fundamental Law.
12. “Project Preparation Advance” or “PPA” means the advance referred to in Section 2.07 of the General Conditions, granted by the Association to the Recipient pursuant to the letter agreement signed on behalf of the Association on September 10, 2012 and on behalf of the Recipient on September 10, 2012.

13. "Procurement Code" means the Recipient's legislation governing procurement, dated December 3, 2012.
14. "Procurement Guidelines" means the "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011.
15. "Project Coordinator" means the professional staff hired by the Recipient on May 28, 2013 with a specialization in SME promotion who is in charge of the PIU.
16. "Project Implementation Manual" or "PIM" means the manual for the implementation of the Project adopted by the Recipient on May 28, 2013 the substance of which is acceptable to the Association.
17. "Procurement Plan" means the Recipient's procurement plan for the Project, dated May 28, 2013, and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
18. "SME" means Small and Medium Enterprise.
19. "SC" means Support Centers for SME development with management autonomy which reports to the MISME.