

CONFORMED COPY

CREDIT NUMBER 2237 GUB

(Energy Project)

between

REPUBLIC OF GUINEA-BISSAU

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 21, 1991

CREDIT NUMBER 2237 GUB

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated August 21, 1991, between REPUBLIC OF GUINEA-BISSAU (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project;

(B) the Borrower intends (i) to obtain from the European Community (EC) a grant in an amount equivalent to \$2,000,000 to assist in financing Part B of the Project on the terms and conditions set forth in an agreement to be entered into between the Borrower and EC, and (ii) to contract from European Investment Bank (EIB) a loan in an amount equivalent to \$4,670,000 to assist in financing Part C of the Project on the terms and conditions set forth in an agreement to be entered into between the Borrower and EIB;

(C) Parts B and D.1 of the Project will be carried out by

Distribuidora de Combustiveis e Lubrificantes (DICOL) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to DICOL the proceeds of the Credit as provided in this Agreement; and

(D) Part C of the Project will be carried out by Electricidade e Aguas da Guine-Bissau (EAGB) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to EAGB the proceeds of the Credit as provided in this Agreement; and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement and in the two Project Agreements of even date herewith between the Association and DICOL and EAGB, respectively;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

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

(a) "Competitive Distribution Plan" has the meaning provided in paragraph 3 (b) (ii) of Schedule 1 to this Agreement;

(b) "DGE" means the Direccao-Geral de Energia within MNRI;

(c) "DICOL" means Distribuidora de Combustiveis e Lubrificantes, a corporation organized under the laws of the Borrower pursuant to Decree No. 41/77, dated December 31, 1977;

(d) "DICOL Financing Plan" has the meaning provided in Section 6.01 (b) of this Agreement;

(e) "DICOL Management Plan" means the action plan referred to in paragraph 3 (b) (iv) of Schedule 1 to this Agreement;

(f) "DICOL Project Agreement" means the agreement between the Association and DICOL, of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to such agreement;

(g) "DICOL Financial Restructuring Plan" means the plan referred to in paragraph 3 (b) (iii) of Schedule 1 to this Agreement;

(h) "DICOL Special Account" means the account referred to in Section 2.02 (b) of this Agreement;

(i) "DICOL Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and DICOL pursuant to Section 3.01 (c) (i) of this Agreement, as the same may be amended from time to time, and such term includes any schedules to the DICOL Subsidiary Loan Agreement;

(j) "DICOL Subsidiary Loan Agreements" means the DICOL Subsidiary Loan Agreement and the Petroleum Facility Subsidiary Loan Agreement, collectively;

(k) "EAGB" means Electricidade e Aguas da Guine-Bissau, a corporation established under the laws of the Borrower;

(l) "EAGB Financing Plan" has the meaning provided in Section 6.01 (b) of this Agreement;

(m) "EAGB Contrat-Programme" means the performance contract to be entered into between the Borrower and EAGB setting forth performance goals for EAGB, and all subsequent related agreements between such parties;

(n) "EAGB Project Agreement" means the agreement between the Association and EAGB, of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to such agreement;

(o) "EAGB Special Account" means the account referred to in Section 2.02 (c) of this Agreement;

(p) "EAGB Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and EAGB pursuant to Section 3.01 (d) of this Agreement, as the same may be amended from time to time, and such term includes any schedules to the EAGB Subsidiary Loan Agreement;

(q) "MNRI" means the Borrower's Ministerio dos Recursos Naturais e Industria;

(r) "MNRI Financing Plan" has the meaning provided in Section 6.01 (b) of this Agreement;

(s) "Pescarte" means Pescarte, a department within the Borrower's Ministry of Fisheries;

(t) "Petroleum Facility" means the petroleum facility to be established pursuant to Part D of the Project, and to be operated as described in paragraph 1 of Schedule 6 to this Agreement;

(u) "Petroleum Facility Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and DICOL pursuant to Section 3.01 (c) (ii) of this Agreement, as the same may be amended from time to time, and such term includes any schedules to the Petroleum Facility Subsidiary Loan Agreement;

(v) "Private Customers" means all customers of DICOL's services other than its Public Sector Customers;

(w) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated June 15, 1990 and June 21, 1990 between the Borrower and the Association;

(x) "Public Sector Customers" means all customers of DICOL that are part of, or majority-owned by, the Borrower, including all ministries and departments thereof, and its parastatals;

(y) "Special Accounts" means the DICOL Special Account and the EAGB Special Account, collectively; and

(z) "Subsidiary Loan Agreements" means the DICOL Subsidiary Loan Agreements and the EAGB Subsidiary Loan Agreement, collectively.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to eleven million three hundred thousand Special Drawing Rights (SDR 11,300,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of

Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit.

(b) The Borrower shall, for the purposes of Part B of the Project, open and maintain in the name of DICOL a special deposit account (the DICOL Special Account) in Dollars in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the DICOL Special Account shall be made in accordance with the provisions of Schedule 4 to this Agreement.

(c) The Borrower shall, for the purposes of Part C of the Project, open and maintain in the name of EAGB a special deposit account (the EAGB Special Account) in Dollars in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the EAGB Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

(d) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be cancelled.

Section 2.03. The Closing Date shall be June 30, 1995 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date or at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next payment date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on May 15 and November 15 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each May 15 and November 15, commencing May 15, 2001 and ending November 15, 2030. Each installment to and including the installment payable on November 15,

2010 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever (i) the Borrower's gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the terms of repayment of installments under paragraph (a) above by requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid. If so requested by the Borrower, the Association may revise such modification to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(c) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

Section 2.09. (a) DICOL is designated as representative of the Borrower in respect of Parts B and D.1 of the Project for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions in respect of such Parts.

(b) EAGB is designated as representative of the Borrower in respect of Part C of the Project for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions in respect of such Part.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end:

- (i) shall carry out, through MNRI, Parts A and D.2 of the Project with due diligence and efficiency and in conformity with appropriate administrative and financial practices and shall provide, promptly as needed, the funds, facilities, services and other resources required for such Part of the Project; and
- (ii) without limitation or restriction upon any of its other obligations under the Development Credit Agreement, the Borrower: (A) shall cause DICOL and EAGB to perform all their respective obligations set forth in the DICOL Project Agreement and the EAGB Project Agreement, respectively, (B) shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable DICOL and

EAGB to perform such obligations, and (C) shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Association and the Borrower shall otherwise agree, the Borrower shall carry out Parts A and D.2 of the Project in accordance with the Implementation Program set forth in Schedule 6 to this Agreement.

(c) The Borrower shall relend the following to DICOL, under terms and conditions which shall have been approved by the Association, including, inter alia, that the proceeds of the Credit shall be relent at an interest rate of 8.5% per annum, with the exchange risk between the currency of payment and the currency of repayment to be borne by DICOL:

- (i) the proceeds of the Credit necessary to carry out Part B of the Project shall be relent to DICOL under a subsidiary loan agreement (the DICOL Subsidiary Loan Agreement) to be entered into between the Borrower and DICOL for a term of twenty years, including a five-year grace period; and
- (ii) the proceeds of the Credit necessary to carry out Part D.1 of the Project shall be relent to DICOL under a separate subsidiary loan agreement (the Petroleum Facility Subsidiary Loan Agreement) to be entered into between the Borrower and DICOL for a term of ten years, including a three-year grace period.

(d) The Borrower shall relend the proceeds of the Credit necessary to carry out Part C of the Project to EAGB under a subsidiary loan agreement (the EAGB Subsidiary Loan Agreement) to be entered into between the Borrower and EAGB, under terms and conditions which shall have been approved by the Association which shall provide, inter alia, that the proceeds of the Credit shall be relent at an interest rate of 7.7% per annum, for a term of twenty years, including a five-year grace period, with the exchange risk between the currency of payment and the currency of repayment to be borne by EAGB.

(e) The Borrower shall exercise its rights under each of the Subsidiary Loan Agreements in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit and, except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive any of the Subsidiary Loan Agreements or any provision thereof.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for Parts A and D.2 of the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. The Borrower shall implement in a timely manner the Competitive Distribution Plan, the DICOL Financial Restructuring Plan, the DICOL Management Plan, the DICOL Financing Plan, the EAGB Financing Plan and the MNRI Financing Plan.

Section 3.04. The Borrower shall, not later than December 31, 1991, cause Pescarte to enter into an agreement with DICOL, on reasonable commercial terms, pursuant to which DICOL shall obtain for a period of no less than 3 years the nonexclusive right to use the 45-ton barge and pusher tug owned by Pescarte.

Section 3.05. The Borrower shall, through DGE, transfer for fair consideration to EAGB, not later than December 31, 1992, all

its rights relating to the 4.2 MW Nova Central Electrica generating station currently under construction (including all rights under the related construction and installation contracts).

Section 3.06. The Borrower shall: (a) modify, in consultation with EAGB, EAGB's tariff indexation formula not later than December 31, 1991 in a manner satisfactory to the Association, (b) annually review such formula with the Association, and (c) only further amend such formula with the agreement of the Association. Prior to such modification in 1991, the Borrower shall only permit EAGB's tariffs to increase from their March 1, 1991 levels if, and only to the extent that, the domestic price of petroleum increases.

Section 3.07. The Borrower shall, no earlier than January 1, 1993 and no later than March 31, 1993, carry out jointly with the Association a mid-term review of the progress made in carrying out the Project.

Section 3.08. The Borrower and the Association hereby agree that 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: (a) Parts B and D.1 of the Project shall be carried out by DICOL pursuant to Section 2.03 of the DICOL Project Agreement, and (b) Part C of the Project shall be carried out by EAGB pursuant to Section 2.03 of the EAGB Project Agreement.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of Parts A and D.2 of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Accounts 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 six months after the end of each such year, a certified copy of 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 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 expenditure, the Borrower 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 Association has received the audit report for

the fiscal year in which the last withdrawal from the Credit Account, 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 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) The Borrower and the Association shall, during October of each year, and at any other time at the request of either party, exchange views with regard to the Borrower's petroleum product pricing policies and its plans in respect of the overall development of the petroleum distribution sector.

(b) The Borrower agrees, as long as it exercises control over the setting of prices of the petroleum distribution companies, to establish prices for petroleum products sold by such companies which would: (i) allow the companies, under conditions of efficient operation at reasonable levels of capacity utilization, to cover their operating costs including taxes, earn an adequate return on funds invested in them, meet their financial obligations and make a reasonable contribution to future investment for expansion of capacity; and (ii) be reasonably competitive with prices for petroleum products in the international market.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional events are specified:

(a) DICOL or EAGB shall have failed to perform any of their respective obligations under the Project Agreements.

(b) As a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that DICOL or EAGB will be able to perform their respective obligations under the Project Agreements.

(c) The charter documents of DICOL shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of DICOL to perform any of its obligations under the DICOL Project Agreement.

(d) The charter documents of EAGB shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of EAGB to perform any of its obligations under the EAGB Project Agreement.

(e) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of DICOL or EAGB, or for the suspension of the operations of DICOL or EAGB.

(f) (i) Subject to subparagraph (ii) of this paragraph:

(A) the right of the Borrower to withdraw the proceeds of any loan or grant made to the Borrower for the financing of the Project shall have been suspended, cancelled or

terminated in whole or in part, pursuant to the terms thereof, or

(B) any such loan shall have become due and payable prior to the agreed maturity thereof.

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional events are specified:

(a) any event specified in paragraph (a), (c) or (d) of Section 5.01 of this Agreement shall occur and shall continue for a period of 60 days after notice thereof shall have been given by the Association to the Borrower;

(b) any event specified in paragraph (e) of Section 5.01 of this Agreement shall occur; and

(c) any event specified in paragraph (f) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (f) (ii) of such Section.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) the Subsidiary Loan Agreements have been executed on behalf of the Borrower and of DICOL and EAGB, respectively; and

(b) the Borrower shall have presented financing plans for MNRI (the MNRI Financing Plan), DICOL (the DICOL Financing Plan) and EAGB (the EAGB Financing Plan), satisfactory to the Association, delineating the sources of financing and expected expenditures of MNRI, DICOL and EAGB over no shorter than a three-year period beginning with the date of such presentation.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association:

(a) that the DICOL Project Agreement has been duly authorized or ratified by DICOL and is legally binding upon DICOL in accordance with its terms;

(b) that the EAGB Project Agreement has been duly authorized or ratified by EAGB and is legally binding upon EAGB in accordance with its terms;

(c) that the DICOL Subsidiary Loan Agreements have been duly authorized or ratified by the Borrower and DICOL and are legally binding upon the Borrower and DICOL in accordance with their respective terms; and

(d) that the EAGB Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and EAGB and is legally

binding upon the Borrower and EAGB in accordance with its terms.

Section 6.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Sections 12.04 of the General Conditions.

Section 6.04. The obligations of the Borrower under Sections 3.06 and 4.02 of this Agreement and Schedule 6 to this Agreement, shall cease and determine on the earlier of the date on which the Development Credit Agreement shall terminate and the date four years after the date of this Agreement.

ARTICLE VII

Representatives of the Borrower; Addresses

Section 7.01. Except as provided in Section 2.09 of this Agreement, the Minister of Finance of the Borrower is designated as representative of the Borrower 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 Borrower:

Ministerio da Economia e Financas
C.P. 67
Bissau
Guine-Bissau

Cable address:	Telex:
MEF	257 MEF BI

For the Association:

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

Cable address:	Telex:
INDEVAS	248423 (RCA)
Washington, D.C.	82987 (FTCC)
	64145 (WUI) or
	197688 (TRT)

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-BISSAU

By /s/ Alfredo L. Cabral
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edwin R. Lim

Acting Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
I. Part A of the Project		
(1) Equipment, materials and vehicles		100% of foreign expenditures
(a) for Part A.3 of the Project	150,000	
(b) for Part A.4 of the Project	140,000	
(2) Consultants' services	240,000	100% of foreign expenditures
II. Part B of the Project		
(3) Equipment, materials vehicles	2,700,000	100% of foreign expenditures
(4) Consultants' services	1,230,000	100% of foreign expenditures
Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
III. Part C of the Project		
(5) Equipment and related installation, materials and vehicles	1,470,000	100% of foreign expenditures
(6) Consultants' services	740,000	100% of foreign expenditures
III. Part D of the Project		
(7) Petroleum products for Part D.1 of the Project	2,970,000	100% of for- eign expendi- tures, until SDR 1,500,000 equivalent has been disbursed; and 30% of foreign expen- ditures thereafter
IV. Miscellaneous		
(8) Refunding of Project	260,000	Amount due pursuant to

Preparation Advance	Section 2.02 (d) of this Agreement
(9) Unallocated	1,400,000
	<hr/>
TOTAL	11,300,000 =====

2. For the purposes of this Schedule, the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower.

3. 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;

(b) in respect of Categories (3) and (4) until (i) the Borrower shall have issued a ministerial order establishing a petroleum pricing mechanism consistent with the requirements of Section 4.02 (b) of this Agreement, (ii) the Borrower shall have adopted an action plan, acceptable to the Association, to encourage competition in the distribution of petroleum products following their import into the territory of the Borrower (the Competitive Distribution Plan), (iii) the Borrower and DICOL shall have adopted a financial restructuring plan for DICOL (the DICOL Financial Restructuring Plan) acceptable to the Association, (iv) the Borrower and DICOL shall have adopted a project management action plan (the DICOL Management Plan) satisfactory to the Association and DICOL shall have employed management and technical consultants under terms of reference satisfactory to the Association, (v) DICOL shall have established a project implementation and control team with terms of reference satisfactory to the Association, and (vi) DICOL shall have acquired the insurance coverage required by Section 3.03 of the DICOL Project Agreement;

(c) in respect of Categories (5) and (6) until: (i) EAGB shall have employed management consultants under terms of reference satisfactory to the Association, and (ii) EAGB shall have established a project implementation and control team with terms of reference satisfactory to the Association;

(d) in respect of Category (7) until: (i) the conditions set forth in paragraph (b) above shall have been satisfied, and (ii) the Borrower and DICOL shall have adopted banking arrangements, satisfactory to the Association, regarding the operation of the Petroleum Facility's accounts.

SCHEDULE 2

Description of the Project

The objectives of the Project are to improve the efficiency of the Borrower's petroleum product distribution sector and electricity generation and distribution sector.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

Part A: Institutional Development of, and Operation of Energy Sector by, MNRI

1. Development (including related training of staff) and operation within DGE of a technical cell to plan energy policies for the Borrower and monitor the petroleum, electric power and household energy sectors; related acquisition of office and data processing equipment.

2. Preparation of a least-cost expansion study for the addition,

between 1995 and 2000 to the Borrower's electricity network of at least 14 MW of generating capacity.

3. Maintenance of the Borrower's provincial power stations and depots, including acquisition of: (a) instruments to measure river depth and flow characteristics at Saltinho, and (b) vehicles for maintenance and supervision by DGE of the provincial power stations.

4. Acquisition and installation of four 100 kVA and one 400 kVA distribution transformers for the Bafata-Xime-Gabu network and about 2,500 electric meters for the rural electricity distribution network.

Part B: Extension and Rehabilitation of Petroleum Distribution System, and Institutional Development of DICOL

1. Rehabilitation of Bissau's petroleum depot and jetty facilities, including the related product handling and barge loading facilities and drum manufacturing plant. Acquisition for depot of fire protection and safety equipment, quality and quantity measurement instruments, environmental protection facilities, spare parts and workshop facilities.

2. Rehabilitation of Bissau's liquified petroleum gas storage and filling plant.

3. Rehabilitation of Bissau's airport fueling depot.

4. Construction and operation of marine-serviced petroleum depots at each of Bubaque, Catio and Bolama; acquisition of motor boat and vehicle to service marine depots.

5. Strengthening of DICOL's operational and financial management capabilities through the training of its staff in related areas.

Part C: Extension and Rehabilitation of EAGB's Electricity Generation and Distribution System, and Institutional Development of EAGB

1. Installation and operation of: (a) one 3 MW diesel electricity generating unit, an oil-water separator and an incinerator unit (for the disposal of waste fuel and lube oil) at EAGB's main station in Bissau, and (b) two 200 Kw electricity generating units in Canchungo; rehabilitation of related buildings, structures and auxiliaries.

2. Extension of Bissau's electricity distribution network to Bairros Militar, Quelele, Bra and Cuntum.

3. Rehabilitation of Canchungo's electricity distribution network.

4. Strengthening of EAGB's operational and financial management capabilities and the related (a) acquisition and implementation of a computerized billing and management information system, (b) training of staff in electric sector management and operations skills, and (c) acquisition of vehicles, tools, equipment and spare parts.

Part D: Operation of Petroleum Facility

Establishment and operation of a revolving facility, in accordance with Schedule 6 to this Agreement, to finance the import of petroleum products (the Petroleum Facility) through:

1. establishment and operation by DICOL of a revolving working capital fund to finance the importation of petroleum products; and

2. establishment and operation by the Borrower of a revolving facility to make available foreign currency for the importation of petroleum products.

* * *

The Project is expected to be completed by December 31, 1994.

SCHEDULE 3

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 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. To the extent practicable, contracts for goods shall be grouped into bid packages estimated to cost the equivalent of \$50,000 or more.

Part B: Other Procurement Procedures

Items or groups of items for goods estimated to cost up to an aggregate amount equivalent to \$490,000, may be procured under contracts awarded through limited international bidding procedures on the basis of evaluation and comparison of bids obtained from at least three qualified suppliers eligible under the Guidelines and in accordance with procedures set forth in Sections I and II of the Guidelines (excluding paragraphs 2.8, 2.9, 2.55, 2.56 thereof).

Part C: Review by the Association of Procurement Decisions

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

(a) With respect to each contract for goods estimated to cost the equivalent of \$150,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of either of the Special Accounts, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of such Special Account in respect of such contract.

(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. Where payments for such contract are to be made out of either of the Special Accounts, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Association pursuant to said paragraph 3 shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 4 to this Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which the Association has authorized withdrawals on the basis of statements of expenditure.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

In order to assist the Borrower in carrying out the Project, the Borrower 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 4

DICOL Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (3) and (4) 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 goods and services required for Part B of the Project and to be financed out of the proceeds of the Credit 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 \$300,000 to be withdrawn from the Credit Account and deposited into the DICOL Special Account pursuant to paragraph 3 (a) of this Schedule.

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

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

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the DICOL Special Account such amount or amounts as the Borrower shall have requested.

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

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association 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 Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the DICOL Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the DICOL Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Association from the Credit Account under the respective 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 Borrower out of the DICOL Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association 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 Association shall not be required to make further deposits into the DICOL Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(b) once the total unwithdrawn amount of the Credit allocated to the eligible Categories for Part B of the Project, less the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to Part B of the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories for Part B of the Project shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the DICOL Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of the DICOL 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 Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the DICOL Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the DICOL Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

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

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

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

SCHEDULE 5

EAGB Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (5) and (6) 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 goods and services required for Part C of the Project and to be financed out of the proceeds of the Credit 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 \$300,000 to be withdrawn from the Credit Account and deposited into the EAGB Special Account pursuant to paragraph 3 (a) of this Schedule.

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

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

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the EAGB Special Account such amount or amounts as the Borrower shall have requested.

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

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association 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 Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the EAGB Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the EAGB Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Association from the Credit Account under the respective 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 Borrower out of the EAGB Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association 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 Association shall not be required to make further deposits into the EAGB Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(b) once the total unwithdrawn amount of the Credit allocated to the eligible Categories for Part C of the Project, less the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to Part C of the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories for Part C of the Project shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the EAGB Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of the EAGB 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 Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the EAGB Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the EAGB Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

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

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

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

SCHEDULE 6

Implementation Program

1. Petroleum Facility. The Petroleum Facility shall be operated as follows.

a. Accounts: (i) the Borrower shall open and maintain a special account in Dollars (the Petroleum Facility Account), under terms acceptable to the Association, in an international bank acceptable to the Association; and

(ii) DICOL shall open and maintain a special account in Guinea-Bissau pesos (the Working Capital Petroleum Account), under terms acceptable to the Association, in a bank located within the territory of the Borrower acceptable to the Association.

b. Deposits: (i) subject to paragraph (d) (i) below, DICOL shall deposit into the Working Capital Petroleum Account, within fifteen days following the end of each calendar month, an amount of Guinea-Bissau pesos equivalent to the number of liters of petroleum products either (A) sold to Private Customers during the preceding calendar month or (B) paid for by Public Sector Customers during the preceding calendar month, multiplied by the corresponding CIF value per liter of such products;

(ii) subject to paragraph (d) (i) below, DICOL shall present to the Borrower, shortly following the end of each month, a deposit request for an amount of Dollars equivalent to the sum of: (A) all receivables accruing after the date of this Agreement held by DICOL

in the name of any Public Sector Customer that are at least thirty days overdue, and (B) all Guinea-Bissau pesos held in the Working Capital Petroleum Account; and

(iii) subject to paragraph (d) (ii) below, the Borrower shall deposit into the Petroleum Facility Account, within 10 days of receipt of the above-mentioned deposit request from DICOL, the amount of Dollars therein requested by DICOL.

(c) Withdrawals: (i) at the direction and option of DICOL, amounts held in the Petroleum Facility Account shall be released either (A) for the purpose of paying for the import of petroleum products into the territory of the Borrower or (B) beginning two years after the date of this Agreement, to repay the Borrower under the Petroleum Facility Subsidiary Loan Agreement; and

(ii) upon such release, the corresponding amount of Borrower arrears referred to in paragraph (b) (ii) (A) above shall be cancelled and the corresponding amount of Guinea-Bissau pesos referred to in paragraph (b) (ii) (B) above shall be released from the Working Capital Petroleum Account to the Borrower.

(d) Limitations: (i) DICOL shall have no obligation to make any deposit into the Working Capital Petroleum Account if the Dollar equivalent of the sum of (i) the Borrower arrears referred to in paragraph (b) (ii) (A) above and the amount of Guinea-Bissau pesos then held in the Working Capital Petroleum Account exceeds:

(x) \$1,400,000 so long as there shall remain at least \$600,000 available under Category 7 of Schedule 1 to this Agreement, and (y) \$2,000,000 thereafter; and

(ii) the Borrower shall have no obligation to make any deposit into the Petroleum Facility Account if the balance exceeds: (x) \$1,400,000 so long as there shall remain at least \$600,000 available under Category 7 of Schedule 1 to this Agreement, and (y) \$2,000,000 thereafter.

(e) Exchange Rate. For purposes of calculations under the Petroleum Facility, the exchange rate to be used for converting Guinea-Bissau pesos into Dollars shall be the commercial rate then legally available in the territory of the Borrower.

2. Pursuant to Part A.1 of the Project, MNRI shall prepare, in consultation with EAGB, a least-cost expansion study for electric power generating capacity, satisfactory to the Association, not later than June 30, 1992. MNRI shall consult periodically with the Association during the preparation of such study.

3. MNRI shall conduct a study not later than June 30, 1992 regarding the institutional options available to operate Guinea-Bissau's water distribution system.

4. The Borrower shall, and shall cause EAGB to, execute the EAGB Contrat-Programme by December 31, 1991. MNRI shall allow the Association to participate in all scheduled reviews of EAGB's compliance under the EAGB Contrat-Programme.

5. The Borrower shall cause Banco Central da Guine-Bissau to enter into, not later than December 31, 1991, an on-lending agreement with EAGB, on reasonable terms, relating to Unit No. 7 2.2 MW generator so as to permit EAGB's concurrent acquisition of such unit.

6. EAGB shall act as purchasing agent and otherwise assist the Borrower in acquiring and installing the transformers and meters provided for under Part A.4 of the Project.

