

CONFORMED

CREDIT NUMBER 3945 SL

Project Agreement

(Power and Water Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

SIERRA LEONE WATER COMPANY

Dated July 6, 2004

CREDIT NUMBER 3945 SL

PROJECT AGREEMENT

AGREEMENT, dated July 6, 2004, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and SIERRA LEONE WATER COMPANY (SALWACO).

WHEREAS (A) by the Development Credit Agreement of even date herewith between Republic of Sierra Leone (the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to twenty four million two hundred thousand Special Drawing Rights (SDR 24,200,000), on the terms and conditions set forth in the Development Credit Agreement, but only on conditions that SALWACO agree to undertake certain of such obligations toward the Association as are set forth in this Agreement;

(B) by a Subsidiary Grant Agreement to be entered into between the Borrower and SALWACO (the SALWACO Grant Agreement), part of the proceeds of the Credit as provided for under the Development Credit Agreement will be made available to SALWACO on the terms and conditions set forth in said SALWACO Subsidiary Grant Agreement; and

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Development Credit Agreement, the Preamble to this Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

Section 2.01. (a) SALWACO declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement, and, to this end it shall carry out Part B.1 of the Project and assist in the carrying out of Parts B.2 and B.3 of the Project, with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and public utility practices, provide or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the carrying out of Part B of the Project;

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Association and SALWACO shall otherwise agree, SALWACO shall carry out Part B.1 and assist in the carrying out of Parts B.2 and B.3 of the Project in accordance with the Implementation Program set forth in Schedule 4 to the Development Credit Agreement, including the monitoring and reporting obligations set forth therein;

(c) For the purpose of carrying out:

(i) Part B.2 (a) of the Project, SALWACO shall enter into a subsidiary agreement satisfactory to the Association with the Ministry of Youth and Sports (the SALWACO-MYS Agreement), such subsidiary agreement to include that SALWACO will assist MYS in the carrying out of such Part of the Project with respect to financial management, including management of funds, and procurement requirements.

(ii) Part B.3 of Project, the SALWACO shall enter through a subsidiary agreement with GVWC under terms and conditions which shall have been approved by the Association (the SALWACO-GVWC Agreement), such subsidiary agreement to include that SALWACO will assist GVWC the Project with respect to financial management, including management of funds, and procurement requirements.

(d) SALWACO shall exercise its rights under the SALWACO-MYS Agreement and the SALWACO-GVWC Agreement 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, SALWACO shall not assign, amend, abrogate or waive the SALWACO-MYS Agreement and the SALWACO-GVWC Agreement or any provision thereof.

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

Section 2.03. (a) SALWACO shall carry out the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project Agreement and Part B of the Project, as said provisions may be further elaborated in the Procurement Plan.

(b) For the purposes of Section 9.06 of the General Conditions and without limitation thereto, SALWACO shall:

- (i) prepare, on the basis of guidelines acceptable to the Association and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Association and SALWACO, a plan designed to ensure the continued achievement of the Project objectives; and
- (ii) afford the Association a reasonable opportunity to exchange views with SALWACO on said plan.

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

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

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

ARTICLE III

Management and Operations of SALWACO

Section 3.01. SALWACO shall carry on its operations and conduct its affairs in accordance with sound administrative, financial and public utility practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 3.02. SALWACO shall at all times operate and maintain its buildings, office space, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial and public utility practices.

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

ARTICLE IV

Financial Covenants

Section 4.01. (a) SALWACO shall establish and maintain a financial management system, including records and accounts, and prepare financial statements, all in accordance with consistently applied accounting standards acceptable to the Association, adequate to reflect its operations and financial condition and to register separately the operations, resources and expenditures related to Part B of the Project and SALWACO's general operations.

(b) SALWACO shall:

(i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related

statements) for each FY audited, in accordance with auditing standards acceptable to the Association, 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 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 and 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 such records, accounts and financial statements, and the audit thereof, and concerning said auditors, as the Association may from time to time reasonably request.

Section 4.02. (a) Without limitation upon SALWACO's reporting obligations set out in Schedule 4 to the Development Credit Agreement, SALWACO shall prepare and furnish to the Association a financial monitoring report, in form and substance satisfactory to the Association, 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 Credit, and explains variances between the actual and planned uses of such funds;
- (i) 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 Association 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 FMR shall be furnished to the Association not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

ARTICLE V

Effective Date; Termination; Cancellation and Suspension

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

Section 5.02. (a) This Agreement and all obligations of the Association and of SALWACO thereunder shall terminate on the earlier of the following two dates:

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

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

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

ARTICLE VI

Miscellaneous Provisions

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

notice to the party giving such notice or making such request. Deliveries made by facsimile transmission shall also be confirmed by mail. The addresses so specified are:

For the Association:

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

Cable address:	Telex:	Facsimile:
INDEVAS	248423 (MCI) or	(202) 477-6391
Washington, D.C.	64145 (MCI)	

For Sierra Leone Water Company (SALWACO):

P.M. Bag 42
Lower Hill, Freetown
Sierra Leone

Facsimile:

00-232-22-22-8025

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

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

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

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

SIERRA LEONE WATER COMPANY

By

Authorized Representative