

**CONFORMED COPY**

**CREDIT NUMBER 3685 GUI**

# **Development Credit Agreement**

**(Decentralized Rural Electrification Project)**

**between**

**REPUBLIC OF GUINEA**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated July 8, 2002**

**CREDIT NUMBER 3685 GUI**

**DEVELOPMENT CREDIT AGREEMENT**

AGREEMENT, dated July 8, 2002, between REPUBLIC OF GUINEA (the Borrower)

and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received from the Borrower a letter, dated February 13, 1998, describing a program of actions, objectives and policies designed to improve access to electricity in the rural and peri-urban areas of the Borrower's territory (the Program) and declaring the Borrower's commitment to the execution of the Program;

(B) 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;

(C) Part B of the Project will be carried out by *Banque Internationale pour le Commerce et l'Industrie* (BICI-GUI) with the Borrower's assistance and, as part of such assistance, the Borrower will make part of the proceeds of the Credit provided for in Article II of this Agreement (the Credit) available to BICI-GUI, as set forth in this Agreement;

(D) the Borrower has also requested the 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 Global Environment Facility Trust Fund (the GEF Trust Fund) by certain members of the Bank as participants to the GEF, to provide additional assistance towards the financing of the Project, and by the Global Environment Facility Trust Fund Grant Agreement (the GEF Trust Fund Grant Agreement between the Borrower and the Bank) of even date herewith between the Borrower and the Bank, the Bank is making a grant in an aggregate principal amount equivalent to SDR 1,600,000 (the GEF Trust Fund Grant); 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 agreement of even date herewith between the Association and BICI-GUI;

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 (as amended through October 6, 1999) (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 means 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 Borrower in the implementation of the Project;

(b) “Beneficiary” means a PDES (as hereinafter defined), which has met the eligibility criteria set out in the Administrative and Operational Manual and the requirements of Schedule 1 to the Project Agreement and, as a result, has been extended, or is to be extended, a Grant (as hereinafter defined) or a Subloan (as hereinafter defined) for the carrying out of a Subproject (as hereinafter defined);

(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-Guinée*, a Bank established and operating under the Borrower’s laws and regulations pursuant to its statutes dated February 23, 1996 (the BICI-GUI Statutes), and referred to in Section 3.01 (a) of this Agreement;

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

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

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

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

(i) “Franc Guinéen” or “GNF” means the currency of the Borrower;

(j) “GEF Trust Fund Grant Agreement” means the agreement of even date herewith between the Borrower and the Bank for the Project, as such agreement may be amended from time to time; and such term includes 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), as applied to such agreement, and all schedules and agreements supplemental to the GEF Trust Fund Grant Agreement;

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

(l) “Grant Agreement” means the agreement between BERD and a Beneficiary, setting forth the terms and conditions under which proceeds of the Credit shall be made available to such 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 Borrower’s Ministry of Water and Energy;

(o) “Midterm Review” means the midterm review referred to in paragraph 6 (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 Agreement” means the agreement between the Association and BICI-GUI of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;

(s) “Project Preparation Advance” means the project preparation advance granted by the Association to the Borrower pursuant to the letter agreement signed on behalf of the Association on October 27, 2000 and on behalf of the Borrower on December 23, 2000;

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

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

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

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

(x) “Subloan Agreement” means the agreement for a Subloan referred to in Part B.2 of Schedule 4 to this Agreement;

(y) “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 under Part B of the Project; and

(z) “Subsidiary Agreement” means the Agreement to be entered into between the Borrower and BICI-GUI pursuant to Section 3.01 (c) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Agreement.

## 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 four million one hundred thousand Special Drawing Rights (SDR 4,100,000).

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: (i) amounts paid (or, if the Association shall so agree, amounts to be paid) by the Borrower on account of withdrawals made under a Subloan or a Grant to meet the reasonable costs of goods and services required for a Subproject to be financed under the Project, and in respect of which the withdrawal from the Credit Account is requested; and (ii) 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 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 Association, 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

(c) 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 canceled.

Section 2.03. The Closing Date shall be December 31, 2006 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 canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and 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 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 August 15 and February 15 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each August 15 and February 15 in each year, commencing August 15, 2012 and ending February 15, 2042. Each installment to and including the installment payable on February 15, 2022 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 per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; 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 repayment of installments under paragraph (a) above by:

- (A) 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; and
- (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above 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.

(d) 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.

### **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 Parts A and C of the Project with due diligence and efficiency and in conformity with appropriate administrative,

financial, environmental, engineering and technical practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project; and (ii) without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, shall cause BICI-GUI to perform, in accordance with the provisions of the Project Agreement, all the obligations of BICI-GUI therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable BICI-GUI to perform such obligations, and 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 Borrower and the Association shall otherwise agree, the Borrower shall carry out Parts A and C of the Project, and assist BICI-GUI in the carrying out of Part B of the Project, in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

(c) The Borrower shall make proceeds of the Credit for Part B of the Project available to BICI-GUI under a subsidiary agreement to be entered into between the Borrower and BICI-GUI, under terms and conditions which shall have been approved by the Association and which shall include, but without being limited to, the provisions set forth in Part B of Schedule 4 to this Agreement.

(d) The Borrower shall exercise its rights under the Subsidiary 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, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Loan Agreement or any provision thereof.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for 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. Without limitation upon the provisions of paragraph (a) of Section 3.01 of this Agreement, and except as the Borrower and the Association shall otherwise agree, the Borrower shall:

(a) open an account in Francs Guinéens in a commercial bank acceptable to the Association (the Project Account), and thereafter maintain the Project Account under terms and conditions acceptable to the Association 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 Borrower's contribution for expenditures under the Project other than those financed from the proceeds of the Credit or the GEF Trust Fund Grant, as shall be agreed upon between the Borrower and the Association; and

(c) ensure that the 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 Credit or the GEF Trust Fund Grant.

#### **ARTICLE IV**

## Financial Covenants

Section 4.01. (a) The Borrower 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 Association, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower 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, for each fiscal year 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, records and accounts and report of such audit, by said auditors, of such scope and in such detail as the Association shall have reasonably requested, including, as part of the information to be provided in each such report, a management letter concerning the Borrower's internal controls; and
- (iii) furnish to the Association such other information concerning said records and accounts, and the audit thereof, and concerning said auditors, as the Association may 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 was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of 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 Borrower's progress reporting obligations



set out in Section 4.01, the Borrower shall prepare and cause BICI-GUI to 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;
- (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 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 Financial Monitoring Report shall be furnished to the Association not later than 45 days after each subsequent calendar.

## **ARTICLE V**

### **Remedies of the Association**

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

- (a) a situation shall have arisen which shall make it improbable that the Project or a significant part thereof will be carried out.
- (b) BICI-GUI shall have failed to perform any of its obligations under the Project Agreement.
- (c) 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 BICI-GUI will be able to perform its obligations under the Project Agreement.
- (d) The BICI-GUI Statutes governing the operations of BICI-GUI shall have been amended, suspended or waived so as to affect materially and adversely the ability of BICI-GUI to perform any of its obligations under the Project Agreement.
- (e) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of BICI-GUI or for the suspension of its operations.
- (f) (i) Subject to subparagraph (ii) of this paragraph, the right of the Borrower to withdraw the proceeds of the GEF Trust Fund Grant made to the

Borrower for the financing of the Project shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the GEF Trust Fund Grant Agreement.

(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 the GEF Trust Fund Grant 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 (h) of the General Conditions, the following additional events are specified:

(a) any events specified in paragraph (b) of Section 5.01 of this agreement shall occur and shall continue for a period of sixty (60) days after notice thereof shall have been given by the Association to the Borrower;

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

(c) the event specified in paragraph (f) (i) of Section 5.01 of this Agreement shall occur, subject to the provisions of paragraph (f) (ii) of that 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 Borrower has adopted and furnished to the Association the AOM in form and substance satisfactory to the Association;

(b) the Borrower has established an adequate financial management and accounting system for the Project satisfactory to the Association;

(c) the Borrower has hired and appointed staff to BERD, with experience and qualifications satisfactory to the Association, including a procurement specialist, two technical experts in decentralized electrification, and a financial expert, all to be employed in accordance with the provisions of paragraph 2 (a) of Part A Schedule 4 to this Agreement;

(d) The Borrower has employed the independent auditors referred to in Section 4.01 (b) of this Agreement and Section 4.01 (b) of the GEF Trust Fund Grant Agreement, all in

accordance with the provisions of Section II of Schedule 3 to this Agreement;

(e) the Borrower has opened the Project Account and has deposited therein the Initial Deposit referred to in Section 3.03 of this Agreement;

(f) the Subsidiary Agreement has been executed by the Borrower and BICI-GUI;  
and

(g) the GEF Trust Fund Grant Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Borrower to make withdrawals thereunder, except only the effectiveness of the Development Credit Agreement, have been fulfilled.

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 Project Agreement has been duly authorized or ratified by BICI-GUI, and is legally binding upon BICI-GUI in accordance with its terms; and

(b) that the Subsidiary Agreement has been duly authorized or ratified by the Borrower and BICI-GUI and is legally binding upon the Borrower and BICI-GUI in accordance with its terms.

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

## **ARTICLE VII**

### **Representative of the Borrower; Addresses**

Section 7.01. The Minister for the time being responsible for Finance 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:

Conakry, Guinea  
Telex:  
Ministre de l'Economie  
et des Finances

Telex:

22399 MIFI

Facsimile:

(224) 42 21 02  
(224) 49 17 17

(224) 45 54 32

For the Association:

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

Cable address:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI) or 64145 (MCI)	(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 DEVELOPMENT ASSOCIATION

By /s/ Theodore O. Ahlers

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:

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Goods, including vehicles	200,000	100% of foreign expenditures and 80% of local expenditures
(2) Consultants' services and training	950,000	80%
(3) Grants and Subloans for Subprojects	2,000,000	100% of amounts disbursed
(4) Operating Costs	300,000	80%
(5) Refunding of Project Preparation Advance	150,000	100% of amounts due pursuant to Section 2.02 (b) of this Agreement
(6) Unallocated	500,000	
TOTAL	4,100,000	

2. For the purposes of this Schedule:

(a) 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;

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower; and

(c) the term "Operating Costs" means the incremental expenses incurred on account of Project implementation, management and monitoring, including office consumables, communications, transport, staff travel and associated subsistence allowances relating to the Project, salaries for contractual and temporary staff, audits under Section 4.01 of this Agreement, office rental, office supplies and maintenance, fuel and maintenance for vehicles and equipment, and insurance costs, but excluding salaries of the Borrower's civil servants.

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; and

(b) payments made for expenditures under category (3), 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.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for: (i) goods under contracts not exceeding \$50,000 equivalent each; (ii) consulting firms under contracts not exceeding \$100,000 equivalent each; (iii) individual consultants under contracts not exceeding \$50,000 equivalent each; and (iv) Operating Costs and training, under all such terms and conditions as the Association shall specify by notice to the Borrower.

## **SCHEDULE 2**

### **Description of the Project**

The objective of the Project is to assist the Borrower 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 Borrower and the Association 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/or Grants to beneficiaries to carry out specific rural electrification

activities.

Part C: Project Coordination and Management

1. The establishment of an agency (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, financial organizations 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 Borrower shall prepare and furnish to the Association an AOM in form and substance satisfactory to the Association, the said Manual being subject from time to time to modification by agreement between the Borrower and the Association. The AOM 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 Borrower shall carry out the Project in accordance with the AOM and, except as the Association shall otherwise agree, shall not amend or waive any provision of the AOM if, in the opinion of the Association, 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 PDESs) 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, of Grants and Subloans for Subprojects; and v) communicate to BICI-GUI all information it has on the PDESs and the Sub-Projects.

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

(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.

Part B: Monitoring, Evaluation and Reviews

4. The Borrower 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 as agreed upon between the Borrower and the Association and set out in Supplemental Letter No. 2 to this Agreement;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, 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 Association, by June 30, or such later date as the Association 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 Association's views on the matter.

5. (a) No later than 24 months after the Effective Date or such other date as the Borrower and the Association shall agree upon, the Borrower and the Association shall carry out

a midterm review (the Midterm Review). The Borrower shall take all actions it considers necessary to ensure the participation of PDESs, relevant Non-governmental 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 Borrower shall furnish to the Association, for its review and comments, a report, in such detail as the Association shall reasonably request, on the carrying out of the Project.

(c) Following such Midterm Review, the Borrower shall act promptly and diligently in order to take any corrective action deemed necessary by the Association 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 Borrower and the Association 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 (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, services as well as Grants and Subloans required for 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 \$500,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$250,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 2,000,000.

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 Association 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 Borrower shall furnish to the Association 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 Association shall, on behalf of the Borrower, withdraw from the Credit

Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

- (b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposits into the 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 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 respective Special Account for eligible expenditures. All such deposits shall be withdrawn by the Association from the Credit 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 Borrower out of the 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 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;

(b) if the Borrower shall have failed to furnish to the Association, 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 Association pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories for the Special Account minus the total amount of all outstanding special commitments entered into by the Association 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 Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories 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 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 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 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 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 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 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.

