

CONFORMED COPY

GRANT NUMBER H133 BUR

Development Grant Agreement

(Power Sector Development Project)

between

BURKINA FASO

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated December 20, 2004

GRANT NUMBER H133 BUR

DEVELOPMENT GRANT AGREEMENT

AGREEMENT, dated December 20, 2004, between BURKINA FASO (the Recipient) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

(B) the Recipient intends to contract from the Danish International Development Assistance (DANIDA) a loan (the DANIDA Loan) in an amount of approximately \$8.5 million to assist in financing the Project on the terms and conditions set forth in an agreement (the DANIDA Loan Agreement) to be entered into between the Recipient and DANIDA;

(C) the Recipient intends to contract from the Nordic Development Fund (NDF) a loan (the NDF Loan) in an amount of approximately \$12.9 million to assist in financing the Project on the terms and conditions set forth in an agreement (the NDF Loan Agreement) to be entered into between the Recipient and NDF;

(D) the *Société Nationale d'Electricité du Burkina* (SONABEL) intends to contract from the European Investment Bank (EIB) a loan (the EIB Loan) in an amount of approximately \$19.9 million to assist in financing the Project on the terms and conditions set forth in an agreement (the EIB Loan Agreement) to be entered into between the EIB and SONABEL;

(E) SONABEL intends to contract from Agence Française de Développement (AFD) a loan (the AFD Loan) in an amount of approximately \$19.9 million to assist in financing the Project on the terms and conditions set forth in an agreement (the AFD Loan Agreement) to be entered into between SONABEL and AFD;

(F) Parts A.2, B and C of the Project will be carried out by SONABEL, with the Recipient's assistance and, as part of such assistance, the Recipient will make a portion of the proceeds of the Grant provided for in Article II of this Agreement (the Grant) available to SONABEL, as set forth in this Agreement; and

WHEREAS the Association has agreed, on the basis, *inter alia*, of the foregoing, to extend the Grant to the Recipient upon the terms and conditions set forth in this Agreement and in the Project Agreement of even date herewith between the Association and SONABEL;

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 May 1, 2004), with the modifications set forth in Schedule 7 to this Agreement (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 have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) “Affected Persons” means persons who, on account of the execution of the Project, had or would have their: (i) standard of living adversely affected; or (ii) right, title, interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; (iii) access to productive assets adversely affected, temporarily or permanently; or (iv) business, occupation, work or place of residence or habitat adversely affected; and “Affected Person” means any of the Affected Persons;

(b) “CFAF” means *Franco de la Communauté Financière Africaine*, the currency of the Recipient;

(c) “Co-lenders Loan Agreements” means the EIB Loan Agreement, AFD Loan Agreement, the DANIDA Loan Agreement and the NDF Loan Agreement, and referred to in Recitals B, C, D, and E of this Agreement, and in its singular form the term means any one of such Agreements;

(d) “Development Grant Agreement” means this Agreement;

(e) “DGE” means *Direction Générale de l’Energie* of the Ministry of Mines, Quarries and Energy of the Recipient;

(f) “EA” means the Environmental and Social Impact Assessment, including issues related to natural habitat and forests, dated February 9, 2004, carried out by SONABEL, giving details of the environmental status, and potential environmental and social risks and adverse impacts, which are specific to the Project activities under Parts B and C of the Project, and referred to in Section III of Schedule 4 to this Agreement;

(g) “Eligible Categories” means Categories (1), (2), (3), (4) and (5) set forth in the table in Paragraph 1 of Schedule 1 to this Agreement;

(h) “Eligible Expenditures” means expenditures in respect of the reasonable cost of goods, works and services required for the Project and to be financed out of the

proceeds of the Grant allocated from time to time to the Eligible Categories in accordance with the provisions of Schedule 1 to this Agreement;

(i) “EMP” means the Environmental Management Plan, a part of the EA, giving details of measures appropriate or required to manage potential environmental and social risks and mitigate adverse impacts associated with activities under Parts B and C of the Project, including the preparation and implementation of the eight forest management plans and the World Bank Ambient Air Emissions Standards for New Thermal Power for New Plants, and adherence to the World Bank Group Environmental Guidelines on Thermal Power for New Plants, Electric Power Transmission and Distribution and Occupational Health and Safety as described in the Pollution Prevention and Abatement Handbook, together with adequate institutional, budgetary, monitoring and reporting arrangements capable of ensuring proper implementation of the EMP, and referred to in Section III of Schedule 4 to this Agreement;

(j) “Fiscal Year” or “FY” mean the Fiscal Year of the Recipient commencing January 1 of each calendar year and ending on December 31 of the same calendar year;

(k) “Initial Deposit” means the deposit referred to in Section 3.03 (b) of this Agreement;

(l) “Project Agreement” means the agreement between the Association and SONABEL of even date between the Association, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;

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

(n) “PIP” means the Project Implementation Plan referred to in Section I of Schedule 4 to this Agreement;

(o) “Procurement Plan” means the Recipient’s procurement plan, dated June 7, 2004, covering the initial 18 month period (or longer) of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.02 to this Agreement, to cover succeeding 18 month periods (or longer) of Project implementation;

(p) “Project Preparation Advances” means the project preparation advances granted by the Association to the Recipient pursuant to the letters of agreement signed on December 12, 2001 and May 6, 2003;

(q) “Resettlement Action Plan” or “RAP” mean the plan referred to in paragraph 3 of Section III of Schedule 4 to this Agreement;

(r) “Resettlement Policy Framework” or “RPF” mean the resettlement policy framework providing guidelines for the preparation of the RAP and referred to in paragraph 3 of Section III of Schedule 4 to the Agreement;

(s) “SONABEL”, means *Société Nationale d'Electricité du Burkina*, the Recipient’s public electricity company, or any legal successor thereto;

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

(u) “Subsidiary Loan” means the proceeds of the Grant relent to SONABEL under the Subsidiary Loan Agreement (as hereinafter defined);

(v) “Subsidiary Loan Agreement” means the agreement to be entered into between the Recipient and SONABEL pursuant to Section 3.01 (c) (i) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Loan Agreement; and

(w) “UER” means *Unité d'Exécution de la Réforme du Secteur de l'Energie* of the Recipient.

ARTICLE II

The Grant

Section 2.01. The Association agrees to make available to the Recipient, on the terms and conditions set forth or referred to in the Development Grant Agreement, an amount in various currencies equivalent to forty three million four hundred thousand Special Drawing Rights (SDR 43,400,000).

Section 2.02. (a) The amount of the Grant may be withdrawn from the Grant 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 works, goods and services required for the Project and to be financed out of the proceeds of the Grant.

(b) Promptly after the Effective Date, the Association shall, on behalf of the Recipient, withdraw from the Grant Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advances 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 July 31, 2010, or such later date as the Association shall establish. The Association shall promptly notify the Recipient of such later date.

Section 2.04. (a) The Recipient shall pay to the Association a commitment charge on the principal amount of the Grant 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 Recipient from the Grant 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 2.05 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 Recipient; and (iii) in Euros or 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. Commitment charges shall be payable semiannually on April 1 and October 1 in each year.

ARTICLE III

Execution of the Project

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

- (i) shall carry out Parts A.1, A.3, and D of the Project through the UER with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering, public utility and environmental practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project; and
- (ii) without limitation or restriction upon any of its other obligations under the Development Grant Agreement, the Recipient shall: (A) cause SONABEL to carry out Parts A.2, B and C of the Project with due diligence and efficiency and in conformity with appropriate, public utility and environmental practices, and to perform in accordance with the provisions of the Project Agreement all its obligations therein set forth; (B) take and cause to be taken all action, including the provision of funds, facilities,

services and other resources, necessary or appropriate to enable SONABEL 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 Recipient and the Association shall otherwise agree, the Recipient shall, and shall cause SONABEL to, carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement and the provisions of the Project Agreement.

(c) For the purpose of carrying out of Parts A.2, B and C of the Project, the Recipient shall make available in CFAF to SONABEL part of the proceeds of the Grant allocated from time to time to Categories (1), (2), (3) and (4) of the table set forth in paragraph 1 of Schedule 1 to this Agreement, under a Subsidiary Loan Agreement to be entered into between the Recipient and SONABEL, under terms and conditions which shall have been approved by the Association.

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

Section 3.02. (a) 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 Grant shall be governed by the provisions of Schedule 3 to this Agreement, as said provisions may be further elaborated in the Procurement Plan dated June 7, 2004.

(b) The Recipient shall update the Procurement Plan in accordance with terms of reference acceptable to the Association, and furnish such update to the Association not later than 12 months after the date of the preceding Procurement Plan, for the Association's approval.

Section 3.03. Without limitation to its obligations under Section 3.01 of this Agreement, the Recipient shall:

(a) open and maintain in CFAF, until the completion of the Project, a Project Account in its Treasury, under terms and conditions satisfactory to the Association;

(b) promptly make an Initial Deposit of no less than CFAF 135,000,000 into the Project Account to finance the Recipient's initial contribution to the expenditures for Parts A.1, A.3 and D of the Project;

(c) thereafter, deposit into the Project Account such amounts in CFAF as are estimated to be required at any given time for the ensuing three-month period and as shall be agreed upon between the Recipient and the Association to finance the Recipient's contribution for the expenditures for Parts A.1, A.3 and D of the Project; and

(d) ensure that the funds deposited into the Project Account in accordance with paragraphs (b) and (c) of this Section shall be used exclusively to finance the Recipient's contribution to the expenditures for the Project which are not otherwise financed from the proceeds of the Grant.

Section 3.04. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Recipient shall:

(a) prepare or cause to be prepared, 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 Recipient and the Association, a plan to ensure the continued achievement of the objective of the Project; and

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

Section 3.05. The Recipient 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 Parts A.2, B and C of the Project shall be carried out by SONABEL pursuant to Section 2.03 of the Project Agreement.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Recipient through UER shall establish and maintain a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Recipient shall:

(i) have the financial statements referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Association), audited, in accordance with consistently applied auditing standards acceptable to the Association, 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 (or such other period agreed to by the Association): (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Association), as so audited; and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Association; and
 - (iii) furnish to the Association such other information concerning such records and accounts, and the audit of such financial statements, 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 Grant Account were made on the basis of statements of expenditure, the Recipient shall:
 - (i) retain, until at least one year after the Association has received the audit report for, or covering, the fiscal year in which the last withdrawal from the Grant Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
 - (ii) enable the Association's representatives to examine such records; and
 - (iii) ensure that such statements of expenditure are included in the audit for each fiscal year (or other period agreed to by the Association), referred to in paragraph (b) of this Section.
- Section 4.02. (a) Without limitation upon the Recipient's progress reporting obligations set out in Section IV.2 (a) of Schedule 4 to this Agreement, the Recipient, through UER, 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 Grant, and explains variances between the actual and planned uses of such funds;
 - (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and

- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first financial managing report 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 managing report shall be furnished to the Association not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

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) SONABEL shall have failed to perform any of its obligations under the Project Agreement.

(b) As a result of events which have occurred after the date of the Development Grant Agreement, an extraordinary situation shall have arisen which shall make it improbable that SONABEL will be able to perform its obligations under the Project Agreement.

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

(d) The Co-lenders Loan Agreements shall have failed to become effective by the Effective Date of this Agreement, or such later date as the Association may agree; provided, however, that the provisions of this paragraph shall not apply if the Recipient establishes to the satisfaction of the Association that adequate funds for Part B.1 of the Project are available to the Recipient from other sources on terms and conditions consistent with the obligations of the Recipient under this Agreement.

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

(A) the right of the Recipient to withdraw the proceeds of any loan made to the Recipient for the financing of Part B.1 of the Project shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of any Co-lenders Loan Agreement; 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 Recipient establishes to the satisfaction of the Association that: (A) such suspension, cancellation or termination is not caused by the failure of the Recipient to perform any of its obligations under such agreement; and (B) adequate funds for Part B.1 of the Project are available to the Recipient from other sources on terms and conditions consistent with the obligations of the Recipient under this Agreement.

Section 5.02. Pursuant to Section 7.01(h) of the General Conditions, the following additional event is specified, namely, that any events specified in paragraphs (a), (c) and (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 Recipient.

ARTICLE VI

Effective Date; Termination

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

- (a) that the Subsidiary Loan Agreement has been executed on behalf of the Recipient and SONABEL;
- (b) the Project Account shall have been opened and shall have been credited with the Initial Deposit;
- (c) the Recipient shall have adopted and furnished PIP in form and substance satisfactory to the Association;
- (d) the Special Account referred to in Schedule 5 to this Agreement shall have been opened;
- (e) UER shall have appointed an External Auditor with qualifications, experience and terms of reference satisfactory to the Association;
- (f) UER shall have established a fully operational computerized financial management system satisfactory to the Association; and
- (g) the EA and the EMP shall have been adopted by the Recipient and SONABEL for execution during the Project implementation.

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 SONABEL, and is legally binding upon SONABEL in accordance with its terms; and

(b) that the Subsidiary Loan Agreement has been duly authorized or ratified by the Recipient and SONABEL and is legally binding upon the Recipient and SONABEL in accordance with its terms.

Section 6.03. The date one hundred and twenty (120) 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 Recipient; Addresses

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

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

For the Recipient:

Ministère des Finances et du Budget
03 B.P. 7008
Ouagadougou 03
BURKINA FASO

Cable address:	Telex	Facsimile:
SEGEGOUV	5555	(226) 31 27 15 (226) 31 54 09

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) 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.

BURKINA FASO

By

/s/ Tertius Zongo

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

/s/ A. David Craig

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Grant

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

<u>Category</u>	<u>Amount of the Grant Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Works	28,800,000	100% of foreign expenditures and 85% of local expenditures
(2) Goods	4,500,000	100% of foreign expenditures and 80% of local expenditures
(3) Consultants' services and audits	5,400,000	80% for individuals, 100% of foreign expenditures and 80% of local expenditures for firms
(4) Training and workshops	1,600,000	100%
(5) Operating Costs for UER and DGE	700,000	80%
(6) Refunding of Project Preparation Advances	1,400,000	Amount due pursuant to Section 2.02 (b) of this Agreement
(7) Unallocated	1,000,000	
TOTAL	<u>43,400,000</u> =====	

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 Recipient for goods or services supplied from the territory of any country other than that of the Recipient;

(b) the term “local expenditures” means expenditures in the currency of the Recipient or for goods or services supplied from the territory of the Recipient, provided, however, that, if the currency of the Recipient is also that of another country from the territory of which goods or services are supplied, expenditures in such currency for such goods or services shall be deemed to be “foreign expenditures”; and

(c) the term “Operating Costs” means the incremental expenses incurred by UER and DGE on account of office supplies, administrative support, communication and utility services, travel and supervision costs, maintenance, insurance and gasoline costs for vehicles, and Special Account banking charges, but excluding salaries of officials of the Recipient’s civil service.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 4,340,000, may be made in respect of Categories (1) and (3) on account of payments made for expenditures related to the construction and supervision of power plant under Part C of the Project and consultant services for Part A.3 of the Project before that date but after March 31, 2004.

4. The Association may require withdrawals from the Grant Account to be made on the basis of statements of expenditure for expenditures under contracts for: (a) goods costing less than \$250,000 equivalent per contract; (b) works costing less than \$500,000 equivalent per contract; (c) for services of individual consultants costing less than \$50,000 equivalent per contract; (d) for services of consulting firms under contracts costing less than \$100,000 equivalent per contract; and (e) training, workshops and operating costs, all under such terms and conditions as the Association shall specify by notice to the Recipient.

SCHEDULE 2

Description of the Project

The objectives of the Project are to: (a) to enhance the policy and institutional environment for efficient sector development and operation; (b) to improve the availability and reliability of electricity supply in the area covered by the national utility SONABEL; and (c) to promote rational and efficient use of energy in public buildings through demand-side management initiatives.

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

Part A: Institutional Strengthening and Capacity Building

1. Technical advisory services to build the capacity of Directorate of Energy (DGE) in terms of policy formulation and monitoring and evaluation.
2. Support for capacity enhancement of SONABEL, including in procurement and project management, related to its involvement in this project.
3. Provision for the financing of the second phase of the institutional study for the electricity and hydrocarbon sub-sectors.

Part B: Extension and Reinforcement of Transmission Lines

1. Construction of the Bobo-Dioulassou-Ouagadougou transmission line:
 - (a) Construction of 338 km-long 225 KV Bobo-Dioulassou-Ouagadougou transmission line, extension and construction of three 225 KV substations, supply and installation of tele-transmission and control equipment for the operation of such transmission line, as well as the extension of the load dispatch center building.
 - (b) Connection of 5 villages along the transmission line using the shield-wire technology.
 - (c) Construction and installation of 90 kV lines and cables, extension and construction of four 90 kV substations for the Ouagadougou Ring, supply and installation of 90/15 and 90/33 kV transformers with a mobile crane.
 - (d) Consultancy services for construction supervision.
 - (e) Provision for the execution of the EMP.

2. Reinforcement of the existing Bagre-Kompienga-Ouagadougou transmission lines:

(a) Mechanical and structural reinforcement of the 941 towers of the 315 km-long 132 kV Kompienga-Bagre-Ouagadougou transmission lines.

(b) Consultancy services for works supervision.

Part C: Additional Thermal Generation Capacity of 14 MW

1. Construction of a turnkey 14 MW diesel power station.

2. Consultancy services for construction supervision.

Part D: Demand Side Management Program

1. Strengthening of institutional framework to support demand-side management (DSM) and energy efficiency initiatives through:

(a) Designing of a DSM policy framework and regulatory mechanisms; and

(b) Preparation, monitoring and evaluation of DSM Programs.

2. DSM investments through procurement of air-conditioning and lighting systems as well as refractory films in selected public buildings, including replacement of existing equipment, and changes in procurement for additional equipment.

3. Support for information, education and communication or awareness campaigns, workshops and training activities on DSM and energy efficiency, including demonstration and pilot programs.

* * *

The Project is expected to be completed by January 31, 2010.

SCHEDULE 3

Procurement

Section I. General

A. All goods, works and services (other than consultants' services) shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. All consultants' services shall be procured in accordance with Section I, paragraphs 3.15 through 3.20, and Section IV of, and Appendix 2 to, the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

Section II. Particular Methods of Procurement of Goods, Works and Services (other than Consultants' Services)

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, contracts shall be awarded on the basis of international competitive bidding in accordance with the provisions of Section II of the Procurement Guidelines, and the following additional procedures:

Domestic Preference. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines and Appendix 2 thereto, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Recipient and works to be carried out by domestic contractors.

B. Other Procurement Procedures

1. National Competitive Bidding. Works estimated to cost less than \$500,000 equivalent per contract, and goods estimated to cost less than \$250,000, may be procured under contracts awarded on the basis of national competitive bidding in accordance with the provisions of paragraphs 3.1, 3.3, 3.4, of the Procurement Guidelines.

2. Direct Contracting. Goods and works which meet the requirements for direct contracting referred to in paragraphs 3.1, 3.6 and 3.7 of the Procurement Guidelines may, with the Association's prior agreement, be procured in accordance with the provisions of said paragraphs.

3. Shopping Procedures. Goods and works estimated to cost less than \$50,000 equivalent per contract may be procured under contracts awarded on the basis of shopping.

Section III. Particular Methods of Procurement of Consultants' Services

A. Quality- and Cost-based Selection.

Except as otherwise provided in Part B of this Section, consultants' services shall be procured under contracts awarded on the basis of quality and cost in accordance with the provisions of Section II of the Consultant Guidelines. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than \$100,000 equivalent per contract may comprise entirely national consultants.

B: Other Procedures

1. Selection Based on Consultant's Qualifications. Services of consulting firms estimated to cost less than \$100,000 equivalent per contract, and services of individual consultants estimated to cost less than \$50,000 equivalent per contract, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.

2. Single Source Selection. Services for tasks in circumstances which meet the requirements of paragraph 3.10 of the Consultant Guidelines for single source selection, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines.

3. Individual Consultants. Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis in accordance with the provisions of said paragraph 5.4, subject to prior approval of the Association.

4. Training. All training to be financed with Grant funds under the Project shall be subject to prior approval of the Association.

Section IV. Review by the Association of Procurement Decisions

Except as the Association shall otherwise determine by notice to the Recipient, the following contracts shall be subject to prior Review by the Association: (a) the first two contracts for works and the first two contracts for goods procured on the basis of each applicable method of procurement irrespective of their estimated cost; (b) each contract for works estimated to cost the equivalent of \$500,000 or more, and each contract for goods estimated to cost the equivalent of \$250,000 or less procured on the basis of International Competitive Bidding, National Competitive bidding; Shopping, or Direct Contracting; and (c) each contract for consultants services provided by a firm estimated to cost the equivalent of \$100,000 or more. In addition, the record of

justification referred to in paragraph 5 of Appendix 1 to the consultant Guidelines for each contract for the employment of individual consultants estimated to cost the equivalent of \$50.000 or more shall be subject to prior review by the Association. All other contracts shall be subject to Post Review by the Association.

SCHEDULE 4

Implementation Program

Section I Implementation Arrangements and Quarterly Implementation Reporting

1. The Recipient shall: (a) carry out: Parts A.1, A.3 and D of the Project through DGE and UER; (b) subject to the provisions of this Agreement and the Project Agreement cause SONABEL to carry out Parts A.2, B and C of the Project, all in accordance with the criteria, policies and procedures set forth in the PIP; and (c) except as the Association shall otherwise agree, the Recipient shall not, and shall ensure that SONABEL shall not, amend, abrogate or waive any provision of the PIP which, in the opinion of the Association, may materially and adversely affect the implementation of the Project or the achievement of the objectives thereof.

2. (a) The Recipient shall maintain UER at all times during the implementation of the Project as the Project Coordination Unit, in form and with functions, staffing and resources satisfactory to the Association; and

(b) Without limitation upon the provision of Paragraph 2 (a) of this Section, UER shall, *inter alia*, be responsible for: (i) the procurement for the entire Project, financial management, and audit of the Project; (ii) the overall coordination of the Project implementation; and (iii) monitoring and evaluation of the Project in cooperation with DGE and SONABEL.

Section II. Annual Work Program and Training

1. Except as the Association shall otherwise agree, the Recipient, through the UER, shall for each Project year prepare an annual work plan (AWP) to be included in the annual procurement plan. The AWP shall, *inter alia*, provide a detailed annual training program for capacity building, giving categories of training, workshops, study tours geared to the need of capacity building, numbers of trainees, location of training, its duration, staff months, timing, estimated costs and other relevant information, and shall be submitted by the Recipient to the Association for review and approval prior to initiating the training process.

Section III. Environmental Management

1. The Project shall be implemented in accordance with the guidelines, procedures, timetable and other specifications set forth in the EMP and, except as the Association shall otherwise agree, the Recipient or SONABEL shall not amend or waive any provision of the aforementioned EMP, if such amendment or waiver may, in the opinion of the Association, materially or adversely affect the implementation of the Project.

2. The Recipient, through UER, shall provide to the Association regular feedback on compliance with the EMP. To this end, the reports under Section IV.2 (b) of this Schedule

shall, *inter alia*, include progress made on compliance with social and environmental safeguard measures under the Project, giving details of measures taken in furtherance of the EMP, and of any conditions which interfere or threaten to interfere with the smooth implementation of the said plans, and remedial measures taken or required to be taken to address such conditions.

3. The Recipient shall develop wherever applicable, a Resettlement Action Plan, acceptable to the Association, giving details of a program of actions, measures and policies designed to facilitate the compensation and resettlement of Affected Persons, including the magnitude of displacement, proposed compensation and resettlement arrangements, budget and cost estimates, and sources of funding, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with, the RPF.

Section IV Monitoring and Evaluation and Reviews

1. The Recipient through UER, in conjunction with DGE and SONABEL, shall maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in Schedule 6 to this Agreement, the carrying out of the Project and the achievement of the objectives thereof.

2. (a) The Recipient through UER shall prepare, in conjunction with DGE and SONABEL, under terms of reference satisfactory to the Association, and furnish to the Association, quarterly, beginning on or about the date three (3) months after the Effective Date, a report integrating the results of the monitoring and evaluation activities performed pursuant to Paragraph 1 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.

(b) The Recipient, through UER, shall review, jointly with DGE, SONABEL and the Association, the reports referred to in Paragraph 2 (a) of this Section, on or about the date one month after the submission of said reports, or such later date as the Association shall request, 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 said reports and the Association's views on the matter.

Section V. Mid Term Review

1. The Recipient, through UER, shall carry out, jointly with DGE and SONABEL and the Association, on or about the date thirty (30) months after the Effective Date, a comprehensive mid-term review, *inter alia*, aimed at: (i) documenting progress toward Project objectives; (ii) identifying and resolving obstacles to Project implementation; and

(iii) adjusting, in agreement with the Association, targets and corresponding programs to reflect progress achieved in the implementation of the Project as of the date of the review.

2. The Recipient, through UER, shall, not later than four weeks prior to the review referred to in Paragraph 1 of this Section, furnish to the Association a mid-term report, in such detail as the Association shall reasonably request, including an evaluation of the progress achieved in Project implementation.

3. Promptly after completing the mid-term review, the Recipient shall take, and shall cause DGE, UER and SONABEL to take, all measures required to fulfill the recommendations arising out of said review, with due diligence and efficiency, and in accordance with appropriate practices, taking into account the Association's comments thereon.

Section VI Actions to be Taken by SONABEL

The Recipient shall ensure that SONABEL shall:

(a) produce funds from internal sources equivalent to: (i) not less than 40% of the three-year average of its capital expenditures until 2008 included; (ii) not less than 70 % of the three-year average of its capital expenditures from 2009 onwards;

(b) maintain its accounts receivables from electricity sales at all times at no more than: (i) 120 days of electricity sales in 2005; (ii) 105 days of electricity sales in 2006 and (iii) 90 days of electricity sales from 2007, from the beginning of each calendar year and onward;

(c) maintain a ratio of current assets to current liabilities of not less than 1, 2 at all times; and

(d) communicate annually to the Association, the SONABEL investment program as approved by its Board of Directors.

Section VII Actions to be Taken by the Recipient

The Recipient shall cause each government entity to pay all bills presented by SONABEL within three months of receipt.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term “eligible Categories” means Categories 1 through 5 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 the Project and to be financed out of the proceeds of the Grant allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term “Authorized Allocation” means an amount equivalent to one billion CFAF (CFAF 1,000,000,000), of which an initial deposit of five hundred million CFAF (CFAF 500,000,000) is to be withdrawn from the Grant 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 five hundred million CFAF (CFAF 500,000,000) until the aggregate amount of withdrawals from the Grant 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 ten million Special Drawing Rights (SDR 10,000,000).

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 Recipient 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 Recipient, withdraw from the Grant Account and deposit into the Special Account such amount or amounts as the Recipient shall have requested.

(b) (i) For replenishment of the Special Account, the Recipient shall furnish to the 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 Recipient 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 Recipient, withdraw from the Grant Account and deposit into the Special Account such amount as the Recipient shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Association from the Grant 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 Recipient out of the Special Account, the Recipient 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 Recipient directly from the Grant 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 Recipient 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 Recipient of its intention to suspend in whole or in part the right of the Recipient to make withdrawals from the Grant Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Grant allocated to the eligible Categories, 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 Grant Account of the remaining unwithdrawn amount of the Grant allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Recipient. 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 Recipient 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 Recipient 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 Recipient shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Recipient 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 Grant Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

SCHEDULE 6

Performance Indicators

The key performance indicators to be used during the Project implementation are as follows:

Output indicators:

- By 2009, improved performance of the DGE as measured by an operational policy framework and monitoring, evaluation, and impact assessment systems.
- By January 31, 2008, full completion of the construction of the 225kV Bobo Dioulasso – Ouagadougou transmission line.
- By June 30 2008, full completion of the mechanical reinforcement of the existing 132kV Kompienga-Bagre-Ouagadougou transmission lines.
- By June 30, 2007, full completion of 14 MW of additional capacity.
- By 2009, energy efficiency behaviors and equipment adopted in 30 public administration buildings.
- By 2009, reduced electricity peak demand in 30 selected public administration buildings by 25 percent.
- By 2009, about 25 percent of energy savings realized in the 30 selected public administration buildings as compared to the 2004 baseline.

Outcome indicators:

- Increased reliability of the power system materialized by an overall availability factor of the 225 and 132 kV transmission lines higher than 99.4% from September 30, 2008 onwards.
- Increased annual generation of about 86 GWh delivered on the Ouagadougou regional network at an availability factor of 70%.
- Selected public administration buildings have adopted energy efficiency behaviors and equipment.
- Energy savings realized and peak demand reduced in selected public administration buildings.

SCHEDULE 7

Modifications to the General Conditions

For the purpose of this Agreement, the provisions of the General Conditions are modified as follows:

1. Sections 3.02, 3.03, 3.04 (a), 3.04 (b), 6.05 and Article VII are deleted in their entirety.
2. Wherever used in the General Conditions, the following terms are modified to read as follows:
 - (a) The term “Borrower” is modified to read “Recipient”.
 - (b) The term “Credit” is modified to read “Grant”.
 - (c) The term “Credit Account” is modified to read “Grant Account”.
 - (d) The term “Development Credit Agreement” is modified to read “Development Grant Agreement”.
3. Section 1.01 is modified to read as follows:

“Section 1.01. Application of General Conditions

These General Conditions set forth the terms and conditions generally applicable to the Development Grant Agreement to the extent and subject to any modifications set forth in such agreement.”
4. Paragraph 3 of Section 2.01 is modified to read as follows:

“3. “Recipient” means the party to the Development Grant Agreement to which the Grant is made.”
5. Article III is modified as follows:
 - (a) The heading of Article III is modified to read “Grant Account; Partial Payment”, and the heading of Section 3.04 is modified to read “Partial Payment”.
 - (b) The words “The principal of, and service charges on, the Credit” in Section 3.05 are modified to read “All amounts required to be paid under the Development Grant Agreement”.

6. Article IV is modified as follows:

(a) Section 4.02 (a) is modified to read as follows:

“Section 4.02. *Currencies in which Payments are to be Made*

(a) The Recipient shall pay all amounts required to be paid by it under the Development Grant Agreement in the currency specified in such agreement or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to paragraph (c) or (e) of this Section.”

(b) Wherever used in Section 4.02 (c) and (e) of the General Conditions, the words “principal and service charges” are modified to read “amounts”.

(c) Section 4.03 is modified to read as follows:

“Section 4.03. *Amount of the Grant*

The amount of the Grant withdrawn from time to time shall be the equivalent in terms of SDR (determined as of the date or respective dates of withdrawal from the Grant Account) of the value of the currency or currencies so withdrawn.”

(d) Section 4.06 (b) is modified to read as follows:

“(b) All amounts which the Recipient shall be required to pay under the Development Grant Agreement shall be paid without restrictions of any kind imposed by, or in the territory of, the Recipient.”

7. Section 6.02 is modified as follows:

(a) The words “development credit” in Section 6.02 (a) (ii) are deleted.

(b) The words “loan or guarantee” in Section 6.02 (a) (iii) are deleted.

(c) The words “development credit” and the word “loan”, wherever used in Section 6.02 (c), are deleted.

8. Section 8.01 (a) is modified to read as follows:

“(a) All amounts which the Recipient shall be required to pay under the Development Grant Agreement shall be paid without deduction for, and free from, any taxes levied by, or in the territory of, the Recipient.”

9. Section 12.05 and its heading are modified to read as follows:

“Section 12.05. *Termination of Development Grant Agreement.*

The obligations of the Recipient under the Development Grant Agreement shall terminate on the date 20 years after the date of the Development Grant Agreement.”