

CONFORMED COPY

GRANT NUMBER H240 GUI

Financing Agreement

(Electricity Sector Efficiency Improvement Project)

between

REPUBLIC OF GUINEA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated November 7, 2006

GRANT NUMBER H240 GUI

FINANCING AGREEMENT

AGREEMENT dated November 7, 2006, between REPUBLIC OF GUINEA (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

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

ARTICLE II — FINANCING

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equivalent to five million Special Drawing Rights (SDR 5,000,000) (“Grant”) to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Payment Dates are February 1 and August 1 in each year.
- 2.05. The Payment Currency is the Dollar.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall carry out Parts 3 (a), (b) and (c) of the Project through its Ministry of Hydraulics and Energy, and cause Parts 1, 2 and 3 (d), (e) and (f) of the Project to be carried out by the Project Implementing Entity in accordance with the provisions of Article IV of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Events of Suspension consist of the following:

The Project Implementing Entity's Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under the Project Agreement.

- 4.02. The Additional Event of Acceleration consists of the following:

The event specified in Section 4.01 of this Agreement occurs.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Conditions of Effectiveness consist of the following:

- (a) The Recipient shall increase, in form and substance satisfactory to the Association, the Recipient's electricity tariffs for industrial users by 20 percent.
- (b) An opening balance sheet, in form and substance satisfactory to the Association, has been approved and issued by the Project Implementing Entity, and un-audited financial statements, in form and substance satisfactory to the Association, for the years 2002, 2003, 2004 and 2005 have been issued by said entity.

- (c) The Subsidiary Agreement has been executed on behalf of the Recipient and the Project Implementing Entity.
- (d) The Project Implementation Team, in form and substance and with resources and functions satisfactory to the Association, including staff with qualifications, experience and terms of reference satisfactory to the Association and working exclusively on the Project, including: (i) a financial management specialist; (ii) an accountant; (iii) a procurement specialist; (iv) a distribution systems specialist; (v) a generation systems specialist; (v) an information systems specialist; and (vi) an environmental and social safeguards specialist, has been established by the Project Implementing Entity.
- (e) An integrated financial management system, in form and substance satisfactory to the Association and including a financial management specialist, an accountant and a procurement specialist, all with qualifications, experience and terms of reference satisfactory to the Association, has been established by the Project Implementing Entity.
- (f) A procurement management system, in form and substance satisfactory to the Association and including filing arrangements and archiving space, has been established by the Project Implementing Entity, and a General Procurement Notice, in form and substance satisfactory to the Association, has been published by said entity.
- (g) An external auditor, with qualifications, experience and terms of reference satisfactory to the Association, has been appointed in accordance with the provisions of Section III of Schedule 2 to this Agreement, for purposes of Project implementation.

5.02. The Additional Legal Matter consists of the following:

The Subsidiary Agreement has been duly authorized or ratified by the Recipient and the Project Implementing Entity and is legally binding upon the Recipient and the Project Implementing Entity in accordance with its terms.

5.03. The Effectiveness Deadline is the date 90 days after the date of this Agreement.

ARTICLE VI – REPRESENTATIVE; ADDRESSES

6.01. The Recipient's Representative is its Minister at the time responsible for finance.

6.02. The Recipient's Address is:

Ministry of the Economy and Finance
P. O. Box 579
Conakry
Guinea

Telex:	Facsimile:
22399 MIFIGE	(224) 30 45 54 22
	(224) 30 41 17 17

6.03. The Association's Address is:

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

Cable:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI) or 64145 (MCI)	1-202-477-6391

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

REPUBLIC OF GUINEA

By /s/ Madikaba Camara

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Idé Gnadou

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to support the Recipient in its efforts to improve the technical, commercial and operational efficiency of its power sector through critical investment support and capacity building.

The Project consists of the following parts:

1. Distribution Efficiency Improvement

(a) Upgrading of distribution lines for purposes of reconfiguration of distribution system from low- to medium-voltage, through the provision of goods such as small-capacity distribution transformers and insulators and the carrying out of related works.

(b) Installation of low- and medium-voltage meters at various locations, with emphasis on high revenue-yielding customer premises, for purposes of enhancement of metering coverage and quality for low- and medium-tension customers, through the provision of goods such as meters, and the carrying out of related works.

(c) Installation of capacitors on distribution grid for purposes of improvement in supply quality, through the provision of goods such as capacitors and the carrying out of related works.

(d) Establishment of networked customer service centers, including segregation of technical and commercial functions, exclusive customer interface mechanism, internet-based interface mechanisms for bill verification and payment, broad-based payment facilities and a multi-level grievance mechanism, for purposes of addressing customer concerns, through the provision of related goods and the carrying out of related works.

(e) Introduction of customer-friendly billing systems such as spot billing and staggered payment due dates for purposes of improvement in cash-flow management and metering, billing and collection process, through the provision of related goods and technical advisory services and the carrying out of related works.

(f) Establishment of rapid response outage management program, including rapid response units on a pilot basis in Conakry, for purposes of improvement in attention to customer concerns, through the provision of related goods and technical advisory services and the carrying out of related works.

2. Generation Efficiency Improvement

- (a) Rehabilitation of Garafiri hydropower plant, through the provision of related goods such as spare parts and the carrying out of works.
- (b) Rehabilitation of Tombo thermal generation plant, through the provision of goods such as critical spares for Thermal Unit III thereof and the carrying out of related works.
- (c) Improvement of generation facility efficiency and overall generation capacity planning in the power sector, through the provision of technical advisory services for the purpose of studies.

3. Technical Assistance for Energy Efficiency and Institutional and Business Process Strengthening

- (a) Energy efficiency and conservation:
 - (i) identification and implementation of corrective measures based on energy audit of industrial and commercial establishments, buildings and other significant energy consumption facilities and prudent load management, with possible emphasis on capacity building for the carrying out of energy audits and establishment of an energy audit program;
 - (ii) development of tariff, fiscal and other incentives for energy efficiency;
 - (iii) development of strategy for participation of private sector (energy service companies) in design and implementation of energy efficiency and conservation programs;
 - (iv) development of institutional capacity in the Ministry of Energy and the Project Implementing Entity for implementation of said programs;
 - (v) development of policy framework for implementation of said programs; and
 - (vi) implementation of communication strategy for purposes of creating awareness of energy conservation,

all through the provision of related goods, non-advisory services such as for purposes of installation, technical advisory services and training and the carrying out of works.

(b) Assessment of possible strategies for private sector capacity development and partnerships, including distribution function and business outsourcing, through the provision of technical advisory services for the purpose of studies.

(c) Development and adoption of a comprehensive power sector policy and strategy, through the provision of technical advisory services to the Recipient's Ministry of Hydraulics and Energy.

(d) Strengthening of financial and accounting systems of the Project Implementing Entity, through the provision of goods such as accounting information technology, technical advisory services and training and the carrying out of works relating to the installation of support systems.

(e) Introduction of and capacity building in management information system and operational information technology use relating to anti-electricity theft measures, energy audits, remote metering techniques, customer billing and customer and human resource databases, through the provision of goods such as management information system and information technology, technical advisory services and training and the carrying out of related works.

(f) Monitoring and evaluation of Project implementation, including the carrying out of surveys, site inspections and civil society consultations, through the provision of technical advisory services and the financing of Operating Costs.

SCHEDULE 2

Project Execution

Section I. Subsidiary Financing; Institutional and Other Arrangements

A. Subsidiary Agreement

1. To facilitate the carrying out of the Project Implementing Entity's Respective Part of the Project and financial management under the Project by the Project Implementing Entity, the Recipient shall make part of the proceeds of the Financing available to the Project Implementing Entity under a subsidiary agreement between the Recipient and the Project Implementing Entity, under terms and conditions approved by the Association, which shall include the following ("Subsidiary Agreement"):
 - (a) The Recipient shall provide part of the proceeds of the Financing to the Project Implementing Entity on terms and conditions satisfactory to the Association, and including a repayment period of 15 years, including a five (5)-year grace period, and an interest rate of two percent (2%) per annum.
 - (b) The Project Implementing Entity shall perform all of its obligations under the Project Agreement.
 - (c) Procurement of the goods, works and services required for the Project shall be governed by the provisions of Section III of Schedule 2 to this Agreement, as said provisions may be further elaborated in the Procurement Plan.
 - (d) The Project Implementing Entity shall ensure that the Project is implemented in accordance with the provisions of the Project Implementation Manual, and, except as the Association shall otherwise agree, the Project Implementing Entity shall not amend or waive, or permit to be amended or waived, any provision of the aforementioned if such amendment or waiver may, in the opinion of the Association, materially or adversely affect Project implementation.
2. The Recipient shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, arrogate or waive the Subsidiary Agreement of any of its provisions.

B. Institutional Arrangements

1. Recipient

(a) The Recipient's Ministry of Hydraulics and Energy shall provide policy guidance in and supervision of Project implementation.

(b) The Recipient shall maintain in the Ministry of Hydraulics and Energy, throughout Project implementation, the Project Implementation Team, in form and substance and with resources and functions satisfactory to the Association, including staff with qualifications, experience and terms of reference satisfactory to the Association.

(c) Without limitation upon the provisions of subparagraph (b) of this Section, the Project Implementation Team shall, *inter alia*, coordinate, supervise and monitor implementation of the Recipient's Respective Part of the Project.

(d) The Recipient shall maintain in the Ministry of Hydraulics and Energy, throughout Project implementation, the Demand Side Management / Energy Efficiency Cell, in form and substance and with resources and functions satisfactory to the Association, including staff with qualifications, experience and terms of reference satisfactory to the Association, including: (i) engineers with experience in carrying out studies in the area; and (ii) distribution system engineers.

(e) Without limitation upon the provisions of subparagraph (d) of this Section, the Demand Side Management / Energy Efficiency Cell shall, *inter alia*, coordinate demand side management and energy efficiency activities under the Recipient's Respective Part of the Project.

2. Project Implementing Entity

(a) The Recipient shall cause the Project Implementing Entity to maintain, throughout Project implementation, the Project Implementation Team established pursuant to Section 5.01 (d) of this Agreement, in form and substance and with resources and functions satisfactory to the Association, including staff with qualifications, experience and terms of reference satisfactory to the Association and working exclusively on the Project, including: (i) a financial management specialist; (ii) an accountant; (iii) a procurement specialist; (iv) a distribution system specialist; (v) a generation system specialist; (v) an information system specialist; and (vi) an environmental and social safeguards specialist.

(b) Without limitation upon the provisions of subparagraph (a) of this Section, the Recipient shall cause the Project Implementing Entity to ensure that the Project Implementation Team shall, *inter alia*, (i) coordinate, supervise and monitor the

Project Implementing Entity's Respective Part of the Project; and (ii) carry out financial management, accounting and procurement under the Project.

(c) The Recipient shall cause the Project Implementing Entity to ensure that the Project Implementation Team referred to in subparagraph (a) of this Section shall be able to transmit procurement requests under the Project directly to the Association and without any prior approval of the Project Implementing Entity.

(d) The Recipient shall cause the Project Implementing Entity to appoint, no later than one (1) month after the Effective Date, an independent Project implementation consultant, with qualifications, experience and terms of reference satisfactory to the Association, for purposes of oversight and quality control of financial management and procurement under the Project and engineering design and implementation support as requested to the Project Implementation Team referred to in subparagraph (a) of this Section.

(e) The Recipient shall cause the Project Implementing Entity to maintain, throughout Project implementation, the Demand Side Management / Energy Efficiency Cell, in form and substance and with resources and functions satisfactory to the Association, including staff with qualifications, experience and terms of reference satisfactory to the Association, including: (i) engineers with experience in carrying out studies in the area; and (ii) distribution system engineers.

(f) Without limitation upon the provisions of subparagraph (c) of this Section, the Recipient shall cause the Project Implementing Entity to ensure that the Demand Side Management / Energy Efficiency Cell shall, *inter alia*, coordinate demand side management and energy efficiency activities under the Project Implementing Entity's Respective Part of the Project.

C. Manual

Except as the Association shall otherwise agree, the Recipient shall: (i) carry out, through its Ministry of Hydraulics and Energy, its Respective Part of the Project, and cause the Project Implementing Entity to carry out its Respective Part of the Project, in accordance with the Project Implementation Manual referred to in Section IV.B.2 of this Schedule; and (ii) except as the Association shall otherwise agree, not amend, abrogate, or waive, or permit to be amended, abrogated, or waived, the aforementioned, or any provision thereof, in a manner which, in the opinion of the Association, may materially or adversely affect Project implementation or achievement of the objective thereof.

D. Environmental and Social Safeguards.

The Recipient shall ensure that its Respective Part of the Project, and cause the Project Implementing Entity to ensure, that its Respective Part of the Project, is implemented in accordance with appropriate environmental, social, energy, engineering and public utility practices and the provisions of any document as may be agreed for this purpose between the Recipient and the Association, and, except as the Association shall otherwise agree, the Recipient shall not amend or waive, or permit to be amended or waived, any provision of the aforementioned if such amendment or waiver may, in the opinion of the Association, materially or adversely affect Project implementation or achievement of the objective thereof.

Section II. Project Monitoring, Reporting, Evaluation

A. Project Reports

1. (a) The Recipient shall cause the Project Implementing Entity to monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators set forth below in sub-paragraph (b) of this paragraph. Each Project Report shall cover the period of one (1) calendar quarter, and shall be furnished to the Association not later than 45 days after the end of the period covered by such report.
- (b) The performance indicators referred to above in sub-paragraph (a) consist of the following:
 - (i) Part 1 of the Project
 - (A) By the end of year two (2) of Project implementation, there has been an increase of at least ten percent (10%) in grid connections as compared with those as of October 1, 2006, and by the end of year three, there has been an increase of at least ten percent (10%) in grid connections as compared with those as of October 1, 2007.
 - (B) By the end of year two (2) of Project implementation, a customer care center, spot billing as applicable and rapid-response vehicle systems are in operation in the areas of Project implementation.

- (C) By the end of year three (3) of Project implementation, there has been a reduction of at least eight percent (8%) in technical losses as compared with those as of October 1, 2006.
- (D) By the end of year three (3) of Project implementation, there has been an increase of at least ten percent (10%) in revenue and collection as compared with those as of October 1, 2006.
- (E) By the end of year three (3) of Project implementation, there has been an increase of at least ten percent (10%) in the, voltage generally available for customer use (tail-end voltage) in the areas of Project implementation as compared with that as of October 1, 2006.
- (F) By the end of year three (3) of Project implementation, there has been an improvement in customer satisfaction as determined by improved voltage, billing, collection and commercial utility interface such as for new connections, as reflected in customer surveys to be conducted by the agency appointed for this purpose pursuant to Section V.1 of this Agreement.
- (G) By the end of year three (3) of Project implementation there has been an increase of at least 15 percent in the Performance Verification Index as compared with that as of October 1, 2006.

(ii) Part 2 of the Project

By the end of year three (3) of Project implementation, there has been an increase of at least ten percent (10%) in the plant-availability factor (capability of the plant to deliver electricity assuming that conditions such as water-head / fuel availability, as the case may be, are fulfilled) of both the Garafiri hydropower plant and the Tombo thermal generation plant as compared with that as of October 1, 2006.

(iii) Part 3 of the Project

- (A) By June 15, 2006, and by September 1 of each subsequent year of Project implementation, the Project Implementing Entity has produced and disclosed annual audited financial statements in accordance with international accounting standards and in form and substance satisfactory to the Association, and has maintained monthly trial balances in form and substance satisfactory to the Association.
- (B) By the end of year three (3) of Project implementation, the Demand Side Management / Energy Efficiency Cell under the Ministry of Hydraulics and Energy and the Project Implementing Entity is operational; 20 energy audits of customers of the Project Implementing Entity have been completed; a policy and regulatory framework for Demand Side Management / Energy Efficiency has been adopted by the Recipient; and seven (7) training programs have been carried out.
- (C) By the end of year three (3) of Project implementation, areas and avenues for private sector participation have been identified; and three (3) training programs, including in relation to approaches involving outsourcing and energy service companies, have been carried out for the private sector.
- (D) By end of the year three (3) of Project implementation, technologies that assist in remote metering, energy auditing, anti-theft, customer billing and human resource database management are operational in the pilot area.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Recipient shall ensure that the Project Implementing Entity prepares and furnishes to the Association as part of the Project Report, interim un-audited financial reports for

the Project covering the quarter, in form and substance satisfactory to the Association.

3. The Recipient shall ensure that the Project Implementing Entity has its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. **Goods and Works.** All goods and works required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Schedule.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Schedule.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works

1. **Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of National or International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

<u>Procurement Method</u>
(a) Limited International Bidding
(b) Direct Contracting
(c) Shopping

C. Particular Methods of Procurement of Consultants' Services

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

<u>Procurement Method</u>
(a) Selection Based on Consultants' Qualifications
(b) Least Cost Selection
(c) Single Source Selection

D. Review by the Bank 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) each contract for goods procured on the basis of International Competitive Bidding or Limited International Bidding estimated to cost the equivalent of \$200,000 or more; (b) each contract for works procured on the basis of International Competitive Bidding estimated to cost the equivalent of \$500,000 or more; (c) each contract for non-consultant services procured on the basis of International Competitive Bidding estimated to cost the equivalent of \$200,000 or more; (d) each contract for goods, works or non-consultant services procured on the basis of Direct Contracting; (e) each contract for consultants' services

provided by a firm estimated to cost the equivalent of \$100,000 or more; (f) each contract for consultants' services provided by an individual estimated to cost the equivalent of \$50,000 or more; and (g) each contract for consultants' services procured on the basis of single source selection. All other contracts shall be subject to Post Review by the Association.

Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of this Section and such additional instructions as the Bank may specify by notice to the Recipient, to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing ("Category"), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<u>Category</u>	<u>Amount of the Financing Allocated (expressed in SDR)</u>	<u>Percentage of Expenditures to be Financed</u>
(1) Part 1 of Project: Distribution Efficiency Improvement		
(a) Goods and works	2,200,000	80% for Local Expenditures and 100% for Foreign Expenditures
(b) Consultants' services	270,000	80%
(c) Training	70,000	100%
(2) Part 2 of Project: Generation Efficiency Improvement		
(a) Goods and works	1,180,000	80% for Local Expenditures and 100% for Foreign Expenditures
(b) Consultants' services	110,000	80%

(3) Part 3 of Project:
Technical Assistance
for Energy Efficiency
and Institutional and
Business Process
Strengthening

(a) Goods and works	410,000	80% for Local Expenditures and 100% for Foreign Expenditures
(b) Consultants' services	410,000	80%
(c) Training	70,000	100%
(4) Operating Costs	100,000	90%
(5) Unallocated	<u>180,000</u>	
TOTAL AMOUNT	5,000,000 =====	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, 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 \$100,000 equivalent, may be made on account of payments made for expenditures before that date but after January 1, 2006.
2. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made until the Project Implementation Manual, in form and substance satisfactory to the Association, has been adopted by the Recipient and the Project Implementing Entity.
3. The Closing Date is December 31, 2009.

Section V. Other Undertakings

A. Sectoral Policy

The Recipient shall, no later than January 31, 2007, adopt an electricity sector development policy, in form and substance satisfactory to the Association and including a comprehensive tariff policy and a regulatory framework.

B. Project Monitoring and Evaluation

The Recipient shall, no later than one (1) month after the Effective Date, appoint an agency satisfactory to the Association and under terms of reference satisfactory to the Association, for purposes of establishment of baselines for measurement under the indicators set forth in Section II.A.1 (b) of this Schedule.

C. Financial Covenants

1. The Recipient shall cause the Project Implementing Entity to maintain, throughout Project implementation, a minimum debt service coverage ratio of 1.5.
2. The Recipient shall cause the Project Implementing Entity to reinvest, throughout Project implementation and in form and substance satisfactory to the Association, all revenues generated by investments under the Project towards the replication and extension of Project activities, and to set forth the status of such reinvestment in the Project Reports referred to in Section II.A.1 (a) of this Schedule.
3. The Recipient shall cause the Project Implementing Entity to furnish to the Association, no later than one (1) month after the Effective Date, a plan, in form and substance satisfactory to the Association, for the servicing of the Project Implementing Entity's debt to third parties.
4. The Recipient shall, no later than one (1) month from the Effective Date, agree with the Project Implementing Entity upon a minimum cash reserve, in form and substance satisfactory to the Association, to be maintained throughout Project implementation by the Project Implementing Entity for purposes of its normal business requirements, and should the reserve fall below the agreed minimum, assuming that this is not the result of mismanagement by the Project Implementing Entity, the Recipient shall make all reasonable efforts, in form and substance satisfactory to the Association, to assist the Project Implementing Entity in reaching the agreed minimum, through the provision of financing, the carrying out of tariff revisions or the establishment of a mechanism as agreed upon between the Recipient and the Project Implementing Entity.
5. The Recipient shall cause the Project Implementing Entity to disclose, no later than one (1) month after the Effective Date, and every three (3) months after said date throughout Project implementation, all of the latter's investments exceeding \$10,000, including any such investments made under the Project.
6. No later than two (2) weeks prior to the beginning of each quarter, the Recipient and the Project Implementing Entity shall jointly submit to the Association, throughout Project implementation, a reasonable forecast, in form and substance satisfactory to the Association, of the Project Implementing Entity's Total

Operating Revenues and Total Operating Expenses during such quarter, including in respect of any changes in fuel and purchased power costs, and details of any necessary tariff revision, and shall implement, no later than the beginning of the quarter, such revision, in form and substance satisfactory to the Association.

7. The Recipient shall cause the Project Implementing Entity to publish, no later than December 31, 2006, its historical financial statements, in form and substance satisfactory to the Association.
8. The Recipient shall cause the Project Implementing Entity to produce and disclose, no later than six (6) months after the end of the Project Implementing Entity's fiscal year, throughout Project implementation, annual audited financial statements, in form and substance satisfactory to the Association and in accordance with international accounting standards.
9. For the purposes of this Section:
 - (i) "Total Operating Revenues" means revenues from all sources related to operations.
 - (ii) "Total Operating Expenses" means all expenses related to operations, including administration, adequate maintenance, taxes, and payments in lieu of taxes.

D. Customer Management

1. The Recipient shall cause the Project Implementing Entity to publish, no later than one (1) month after the Effective Date, and the end of every quarter after said date, throughout Project implementation, a list, in form and substance satisfactory to the Association, of the Project Implementing Entity's customers whose monthly bill has averaged GNF 150,000 or more over the previous 12 months and whose arrears are more than three (3) months old.
2. The Recipient shall cause the Project Implementing Entity to furnish to the Association, no later than one (1) month after the Effective Date, a plan, in form and substance satisfactory to the Association, for purposes of addressing major customer grievances, including those relating to injuries allegedly caused by faulty equipment of the Project Implementing Entity.

E. Other

1. The Recipient shall assist, in form and substance satisfactory to the Association, the Project implementing Entity in the recovery of arrears owed by the latter's customers, including those who might be public figures.

2. The Recipient shall, no later than one (1) month after the Effective Date, clear, in form and substance satisfactory to the Association, the Recipient's arrears to the Project Implementing Entity and thereafter remain current in its payments to the Project Implementing Agency throughout Project implementation.
3. The Recipient shall prepare, no later than October 31, 2006, and implement thereafter, an anti-fraud plan, in form and substance satisfactory to the Association, vis-à-vis the public consumption and billing of electricity, and including measures such as a special police force and dedicated courts.
4. The Recipient shall cause the Project Implementing Entity to prepare, no later than one (1) month after the Effective Date, a human resource management plan, in form and substance satisfactory to the Association and including the following: (i) rewards and penalties depending on staff performance; and (ii) rationalization of staff.
5. The Recipient shall cause the Project Implementing Entity to prepare, no later than January 31, 2007, a framework, in form and substance satisfactory to the Association and approved by the Recipient's Ministry of Hydraulics and Energy, for the dispatch policy of the Project Implementing Entity, and which framework shall be based on: (i) least-cost dispatch of the generation plant; and (ii) service to zones at times of the day ensuring the highest financial return to service.
6. The Recipient shall cause the Project Implementing Entity to submit to the Recipient's Ministry of Hydraulics and Energy and make publicly available, throughout Project implementation and commencing no later than the end of year one (1) of Project implementation, a quarterly report, in form and substance satisfactory to the Association, and setting forth: (i) the Project Implementing Entity's financial statements for that quarter; (ii) dispatch schedules for the following quarter; (iii) status of customer grievance redress; (iv) status of electricity losses; (v) status of quality of electricity supply; and (vi) status of implementation of the human resource management plan referred to in subparagraph (a) above.

APPENDIX

Definitions

1. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
2. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004.
3. “Demand Side Management / Energy Efficiency Cell” means the entity referred to in Section I.B.1 (d) of Schedule 2 to this Agreement, and whose responsibilities are set out in Section I.B.1 (e) of said Schedule, or the entity referred to in Section I.B.2 (e) of said Schedule, and whose responsibilities are set out in Section I.B.2 (f) of said Schedule, as the case may be.
4. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005.
5. “Guinean Franc” or “GNF” means the currency of the Recipient.
6. “Ministry of Hydraulics and Energy” means the Recipient’s Ministry at the time responsible for hydraulics and energy.
7. “Operating Costs” means the incremental expenses incurred by the Recipient’s Ministry of Hydraulics and Energy and the Project Implementing Entity on account of Project implementation, management and monitoring, including for office space rental, utilities and supplies, bank charges, communications, vehicle operation, maintenance and insurance, building and equipment maintenance, advertising expenses, travel and supervision, salaries of contractual and temporary staff, but excluding salaries, honoraria and fees of members of the Recipient’s civil service.
8. “Performance Verification Index” means the total revenue collected by a power utility divided by the product of total energy made available by said utility and the average end-user tariff rate.
9. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004.
10. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated May 4, 2006 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

11. “Project Implementation Manual” means the manual, in form and substance satisfactory to the Association, adopted by the Recipient and the Project Implementing Entity pursuant to Section 5.01 (b) of this Agreement, and outlining implementation, organizational, administrative, monitoring and evaluation, environmental and social monitoring and mitigation, financial management, disbursement and procurement arrangements, as shall have been agreed with the Association for purposes of Project implementation, as the same may be amended from time to time with the concurrence of the Association, and such term includes any schedules to the Project Implementation Manual.
12. “Project Implementation Team” means the entity referred to in Section I.B.1 (b) of Schedule 2 to this Agreement, and whose responsibilities are set out in Section I.B.1 (c) of said Schedule, or the entity established pursuant to Section 5.01 (d) of this Agreement, referred to in Section I.B.2 (a) of said Schedule, and whose responsibilities are set out in Section I.B.2 (b) of said Schedule, as the case may be.
13. “Project Implementing Entity” means *Electricité de Guinée* (Guinea Electricity).
14. “Project Implementing Entity’s Legislation” means the Recipient’s Decree No. D/2001/098/PRG/SGG of December 18, 2001 establishing the Project Implementing Entity.
15. “Subsidiary Agreement” means the agreement referred to in Section I.A of Schedule 2 to this Agreement pursuant to which the Recipient shall make part of the proceeds of the Financing available to the Project Implementing Entity.
16. “Training” means the training of persons involved in Project-supported activities, such term including seminars, workshops and study tours, and costs associated with such activity include travel and subsistence costs for training participants, costs associated with securing the services of trainers, rental of training facilities, preparation and reproduction of training materials and other costs directly related to course preparation and implementation.