

CONFORMED COPY

GRANT NUMBER H240 GUI

Project Agreement

(Electricity Sector Efficiency Improvement Project)

between

ELECTRICITE DE GUINEE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated November 7, 2006

GRANT NUMBER H240 GUI

PROJECT AGREEMENT

Agreement dated November 7, 2006, entered into between *ELECTRICITE DE GUINEE* (“Project Implementing Entity”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) (“Project Agreement”) in connection with the Financing Agreement of same date between REPUBLIC OF GUINEA (“Recipient) and the Association (the “Financing Agreement”). The Association and the Project Implementing Entity hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to the Financing 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 Financing Agreement or the General Conditions.

ARTICLE II — PROJECT

- 2.01. The Project Implementing Entity declares its commitment to the objectives of the Project. To this end, the Project Implementing Entity shall carry out Parts 1, 2 and 3 (d), (e) and (f) of the Project in accordance with the provisions of Article IV of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for its Respective Part of the Project.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Association and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out its Respective Part of the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III — REPRESENTATIVE; ADDRESSES

- 3.01. The Project Implementing Entity’s Representative is its Director General.
- 3.02. The Project Implementing Entity’s Address is:

Electricité de Guinée
P. O. Box 1463
Conakry
Guinea

Facsimile:

(224) 30 41 51 47

- 3.03. The Association’s Address is:

International Development Association
1818 H Street, NW
Washington, DC 20433
United States of America

Cable:	Telex:	Facsimile:
INTBAFRAD 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.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Idé Gnadou

Authorized Representative

ELECTRICITE DE GUINEE

By Morlaye Bangoura

Authorized Representative

SCHEDULE

Execution of the Implementing Entity's Respective Part of the Project

Section I. Institutional and Other Arrangements

A. Institutional Arrangements.

1. The Project Implementing Entity shall maintain, throughout Project implementation, the Project Implementation Team established pursuant to Section 5.01 (d) of the Financing 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.
2. Without limitation upon the provisions of paragraph 1 of this Section, 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.
3. The Project Implementing Entity shall ensure that the Project Implementation Team referred to in paragraph 1 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.
4. The Project Implementing Entity shall 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.
5. Without limitation upon the provisions of subparagraph (c) of this Section, the Project Implementing Entity shall 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.

B. Manual

Except as the Association shall otherwise agree, the Project Implementing Entity shall: (i) carry out its Respective Part of the Project in accordance with the Project Implementation Manual referred to in Section IV.B.2 of Schedule 2 to the Financing Agreement; 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.

C. Environmental and Social Safeguards

The Project Implementing Entity shall 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 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 or achievement of the objective thereof.

Section II. Project Monitoring, Reporting, Evaluation

A. Project Reports

The Project Implementing Entity shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 (b) of the General Conditions and on the basis of the indicators set forth in Section II.A.1 (b) of Schedule 2 to the Financing Agreement. Each such Project Report shall cover the period of one (1) calendar quarter, and shall be furnished to the Recipient not later 45 days after the end of the period covered by such report for incorporation and forwarding by the Recipient to the Association of the overall Project Report.

B. Financial Management, Financial Reports; Audits

1. The Project Implementing Entity shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations and financial condition of the Project Implementing Entity, including the operations, resources and expenditures related to its Respective Part of the Project.
2. The Project Implementing Entity shall have its financial statements referred to above audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of these financial statements shall cover the period of one fiscal year of the Project Implementing Entity. The audited financial statements for each period shall be furnished to the Association not later than six (6) months after the end of the period.

Section III. Procurement

All goods, works and services required for the Project shall be procured in accordance with the provisions of Schedule 2 to the Financing Agreement.

Section IV. Other Undertakings

A. Financial Covenants

1. The Project Implementing Entity shall maintain, throughout Project implementation, a minimum debt service coverage ratio of 1.5.
2. The Project Implementing Entity shall 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 set forth the status of such reinvestment in the Project Reports referred to in Section II.A of this Schedule.
3. The Project Implementing Entity shall 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 Project Implementing Entity shall, no later than one (1) month after the Effective Date, agree with the Recipient 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 shall make all reasonable efforts, in form and substance satisfactory to the Association, to do so.
5. The Project Implementing Entity shall disclose, no later than one (1) month after the Effective Date, and every three (3) months after said date throughout Project implementation, all of its 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 Project Implementing Entity and the Recipient 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 Project Implementing Entity shall publish, no later than December 31, 2006, its historical financial statements, in form and substance satisfactory to the Association.
8. The Project Implementing Entity shall 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:

(a) "Total Operating Revenues" means revenues from all sources related to operations.

(b) "Total Operating Expenses" means all expenses related to operations, including administration, adequate maintenance, taxes, and payments in lieu of taxes.

B. Customer Management

1. The Project Implementing Entity shall 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 its 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 Project Implementing Entity shall 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.

C. Other

1. The Project Implementing Entity shall 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.
2. The Project Implementing Entity shall present, 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.
3. The Project Implementing Entity shall 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 paragraph 1 of this Section.