

CONFORMED COPY

CREDIT NUMBER 3551 GUI

Development Credit Agreement

(Fourth Structural Adjustment Credit)

between

REPUBLIC OF GUINEA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 25, 2001

CREDIT NUMBER 3551 GUI

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 25, 2001, between REPUBLIC OF GUINEA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received a letter dated June 14, 2001, from the Borrower describing a program of actions, objectives and policies designed to reduce poverty by improving public service delivery and the environment for economic growth, increasing private sector confidence and strengthening governance (hereinafter called the Program), declaring the Borrower's commitment to the execution of the Program, and requesting assistance from the Association in support of the Program during the execution thereof;

(B) the Borrower has carried out the measures and taken the actions described in Schedule 2 of this Agreement to the satisfaction of the Association and has adopted a macroeconomic policy framework satisfactory to the Association;

(C) the Borrower intends to obtain from the African Development Bank, the Kreditanstalt für Wiederaufbau and the European Union loans or grants, as the case may be, to assist in the financing of the Program on the terms and conditions set forth in the respective loan or grant agreements to be entered into between the Borrower and each of the Donors; and

(D) on the basis, inter alia, of the foregoing, the Association has decided in support of the Program to provide such assistance to the Borrower by making the Credit as hereinafter provided;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, (as amended through October 6, 1999) with the modifications thereof set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) Section 2.01, paragraph 12, is modified to read:

"Project means the program, referred to in the Preamble to the Development Credit Agreement, in support of which the Credit is made.";

(b) Section 4.01 is modified to read:

"Except as the Borrower and the Association shall otherwise agree, withdrawals from the Credit Account shall be made in the currency of the deposit account specified in Section 2.02 of the Development Credit Agreement.";

(c) Section 5.01 is modified to read:

"The Borrower shall be entitled to withdraw the proceeds of the Credit from the Credit Account in accordance with the provisions of the Development Credit Agreement and of these General Conditions.";

(d) The last sentence of Section 5.03 is deleted;

(e) Section 9.06 (c) is modified to read:

"(c) Not later than six months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, the Borrower shall prepare and furnish to the Association a report, of such scope and in such detail as the Association shall reasonably request, on the execution of the program referred to in the Preamble to the Development Credit Agreement, the performance by the Borrower and the Association of their respective obligations under the Development Credit Agreement and the accomplishment of the purposes of the Credit."; and

(f) Section 9.04 is deleted and Sections 9.05, 9.06 (as modified above), 9.07 and 9.08 are renumbered, respectively, Sections 9.04, 9.05, 9.06 and 9.07.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "BCRG" means Banque Centrale de la République de Guinée, the Borrower's central bank;

(b) "Central Government" means all of the Borrower's ministries and their decentralized services;

(c) "CNLC" means Comité National de Lutte contre la Corruption et de la Moralisation des Activités Economiques et Financières, the Borrower's anti-corruption committee established pursuant to Decree No. D/2000/027/PRG/SGG dated February 4, 2000;

(d) "CFU" means Contribution Foncière Unique, a tax under the laws of the Borrower;

(e) "Deposit Account" means the account referred to in Section 2.02 (b) of this Agreement;

(f) "Fiscal Year" or "FY" means the Borrower's fiscal year commencing on January 1 and ending December 31 of each calendar year;

(g) "GNF" and "Guinean Franc" means the Borrower's currency;

(h) "IMDL" means Impôt Minimum pour le Développement Local, a tax under the laws of the Borrower;

(i) "Letter of Development Policy" or "LDP" means the Borrower's letter referred to in Recital (A) of this Agreement;

(j) "Loi de Finance 2001" means the Borrower's law No. L/2001/006/AN/2001 dated May 17, 2001 setting forth budget allocations for fiscal year 2001;

(k) "Loi de règlement" means a law to be passed by the Borrower's National Assembly every year which certifies the final execution of the budget law for the preceding FY;

(l) "Préfecture" means a territorial entity in the territory of the Borrower headed by a Prefect, and operating under the Borrower's Decree No. 004 of January 5, 1989;

(m) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to a Letter-Agreement dated July 31, 2000 and countersigned on the same day;

(n) "TPU" means Taxe Professionnelle Unique, a tax under the laws of the Borrower; and

(o) "TUV" means Taxe Unique sur les Véhicules, a tax under the laws of the Borrower.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to thirty-nine million three hundred thousand Special Drawing Rights (SDR 39,300,000).

Section 2.02. (a) Subject to the provisions of paragraphs (b), (c) and (d) of this Section, the Borrower shall be entitled to withdraw the proceeds of the Credit from the Credit Account in support of the Program.

(b) The Borrower shall open, prior to furnishing to the Association the first request for withdrawal from the Credit Account, and thereafter maintain in BCRG, a Deposit Account in dollars on terms and conditions satisfactory to the Association. All withdrawals from the Credit Account shall be deposited by the Association into the Deposit Account.

(c) The Borrower undertakes that the proceeds of the Credit shall not be used to finance expenditures excluded pursuant to the provisions of Schedule 1 to this Agreement. If the Association shall have determined at any time that any proceeds of the Credit shall have been used to make a payment for an expenditure so excluded, the Borrower shall, promptly upon notice from the Association: (i) deposit into the Deposit Account an amount equal to the amount of said payment, or (ii) if the Association shall so request, refund such amount to the Association. Amounts refunded to the Association upon such request shall be credited to the Credit Account for cancellation.

(d) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be canceled.

Section 2.03. The Closing Date shall be June 30, 2002 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of

one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on July 15 and January 15 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each January 15 and July 15, commencing January 15, 2012 and ending July 15, 2041. Each installment to and including the installment payable on July 15, 2021, shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by the Association of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by:

- (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and
- (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(d) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Particular Covenants

Section 3.01. (a) The Borrower and the Association shall from time to time, at the request of either party, exchange views on the progress achieved in carrying out the Program and the actions specified in Schedule 2 to this Agreement.

(b) Prior to each such exchange of views, the Borrower shall furnish to the Association for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Association shall reasonably request.

(c) Without limitation upon the provisions of paragraph (a) of this Section, the Borrower shall exchange views with the Association on any proposed action to be taken after the disbursement of the Credit which would have the effect of materially reversing the objectives of the Program, or any action taken under the Program, including any action specified in Schedule 2 to this Agreement.

Section 3.02. Upon the Association's request, the Borrower shall:

(a) have the Deposit Account audited in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;

(b) furnish to the Association as soon as available, but in any case not later than four months after the date of the Association's request for such audit, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

(c) furnish to the Association such other information concerning the Deposit Account and the audit thereof as the Association shall have reasonably requested.

ARTICLE IV

Additional Event of Suspension

Section 4.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional event is specified, namely, that a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

ARTICLE V

Effective Date; Termination

Section 5.01. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VI

Representative of the Borrower; Addresses

Section 6.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Minister of Economy and Finance
Ministry of Economy and Finance
B.P. 579
Conakry, Republic of Guinea

For the Association:

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

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

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

REPUBLIC OF GUINEA

By /s/ Mohamed Aly Thiam

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Callisto Madavo

Regional Vice President
Africa

SCHEDULE 1

Excluded Expenditures

For purposes of Section 2.02 (c) of this Agreement, the proceeds of the Credit credited to the Deposit Account shall not be used to finance any of the following expenditures:

1. expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower.
2. expenditures for goods or services supplied under a contract which any national or international financing institution or agency other than the Bank or the Association shall have financed or agreed to finance, or which the Bank or the Association shall have financed or agreed to finance under another credit or a loan.
3. expenditures for goods included in the following groups or subgroups of the Standard International Trade Classification, Revision 3 (SITC, Rev.3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev.3 (1986) (the SITC), or any successor groups or subgroups under future revisions to the SITC, as designated by the Association by notice to the Borrower:

Group	Subgroup	Description of Items
112	-	Alcoholic beverages
121	-	Tobacco, unmanufactured, tobacco refuse
122	-	Tobacco, manufactured (whether or not containing tobacco substitutes)
525	-	Radioactive and associated materials
667	-	Pearls, precious and semiprecious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors
728	728.43	Tobacco processing machinery
897	897.3	Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
971	-	Gold, non-monetary (excluding gold ores and concentrates)

4. expenditures for goods intended for a military or paramilitary purpose or for luxury consumption.

5. expenditures for environmentally hazardous goods (for purposes of this paragraph the term "environmentally hazardous goods" means goods, the manufacture, use or import of which is prohibited under the laws of the Borrower or international agreements to which the Borrower is a party and any other goods designated as environmentally hazardous by agreement between the Borrower and the Association).

6. expenditures (a) in the territories of any country which is not a member of the Bank or for goods procured in, or services supplied from, such territories or (b) on account of any payment to persons or entities, or any import of goods, if such payment or import is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations.

7. expenditures under a contract in respect of which the Association determines that corrupt or fraudulent practices were engaged in by representatives of the Borrower or of a beneficiary of the Credit during the procurement or execution of such contract, without the Borrower having taken timely and appropriate action satisfactory to the Association to remedy the situation.

SCHEDULE 2

Actions Referred to in Recital (B) of the Preamble to this Agreement

A. Enhancing the Impact of Public Expenditure on Poverty Reduction through More Effective Resource Allocation

The Borrower has:

1. allocated, in its budget for FY 2001: (i) a minimum of 35 percent of the total non-wage recurrent budget to the priority sectors, namely education, health, social affairs, justice and road maintenance; and (ii) a minimum of 46 percent of the overall budgetary allocation of the education sector to primary education;

2. adopted a medium-term revenue and expenditure framework satisfactory to the Association;

3. instituted a cabinet level quarterly review system to ensure budget implementation consistent with agreed budgetary allocations for the priority sectors and wide publication of key results, as described in paragraph 22 of the LDP; and

4. submitted to the competent chamber of its Supreme Court for its review the draft Loi de règlement for FY 1998.

B. Improving the Quality of Public Services through Decentralization

The Borrower has:

1. under its FY 2001 Budget Law, allocated to its Prefectures a minimum of 80% of the resources appropriated under said Budget Law to the priority sectors;

2. implemented a public information campaign to disseminate data on budgetary allocations for schools and primary health care centers in its FY 2001 Budget Law, beginning with the publication of relevant data relating to the capital city of Conakry and the administrative region of Kindia;

3. adopted, under its FY 2001 Budget Law, new rules governing the allocation of resources between the Central Government and the decentralized communities, increasing the share accruing to said decentralized communities with respect to the IMDL; CFU; TPU and TUV; and

4. issued Circulaire No. 321 MEF/CAB dated May 8, 2001 on budget decentralization and administration of delegated credits, setting forth specific rules designed to strengthen financial management and control of all procurement operations concerning goods, works and services procured under Central Government contracts for the benefit of decentralized communities and to ascertain that the obtained items are effectively used for the purposes for which they were procured.

C. Improving Accountability and Transparency in Budget Execution

The Borrower has:

1. issued Arrêté No.22625-MEF-CAB-01 on ex-post procurement audits, dated June 25, 2001, establishing: (a) ex-post audits of government contracts, and (b) defining procedures and sanctions mechanisms concerning the implementation of said contracts;

2. publicly announced and launched preparatory works for a comprehensive survey by CNLC of representatives of government, civil society and businesses, designed to identify key corruption-related problems and set priorities for governance reform, as described in paragraph 46 of the LDP;

3. adopted the communications strategy described to in paragraph 34 of the LDP for the purpose of disseminating information to the public with respect to the following:

(i) detailed budget allocations figures pursuant to the Loi de finance 2001 for each decentralized community with respect to the priority sectors referred to in paragraph A. 1 of this schedule; and

(ii) the public enterprise sector reform program, including its social action plan to minimize the social impact of the reforms.

