

CONFORMED COPY

INTERIM FUND CREDIT NUMBER N017 GUI

Interim Fund Development Credit Agreement

(Third Water Supply and Sanitation Project)

between the

REPUBLIC OF GUINEA

and the

INTERNATIONAL DEVELOPMENT ASSOCIATION as Administrator of the interim trust fund established with funds contributed by certain members of International Development Association pursuant to Resolution No. IDA 184 of the Board of Governors of International Development Association

Dated May 5, 1997

INTERIM FUND CREDIT NUMBER N017 GUI

INTERIM FUND DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated May 5, 1997, between the REPUBLIC OF GUINEA (the Borrower) and the INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) as administrator (the Administrator) of the interim trust fund (Interim Fund) established with funds contributed by certain members of the Association pursuant to Resolution No. IDA 184 (the Interim Fund Resolution) of the Board of Governors of the Association, adopted on June 26, 1996.

WHEREAS (A) by the Interim Fund Resolution the Interim Fund has been established, constituted of the funds contributed by certain members of the Association and administered by the Association acting as Administrator of the Interim Fund, in accordance with the provisions of the Interim Fund Resolution;

(B) the Administrator has received a letter dated August 16, 1996, from the Borrower describing a program of actions, objectives and policies designed to improve the Borrower's water supply sector (the Program) and declaring the Borrower's commitment to the execution of the Program;

(C) the Borrower, having satisfied itself as to the feasibility and priority of the Project, described in Schedule 2 to this Agreement, has requested the Administrator to assist in the financing of the Project through the provision of resources from the Interim Fund, and the Administrator has determined that such assistance would be in accordance with the provisions of the Interim Fund Resolution;

(D) Parts A and C.2 of the Project will be carried out by the Société Nationale des Eaux de Guinée (SONEG) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to SONEG a portion of the proceeds

of the Interim Fund Credit as provided in this Agreement; and

WHEREAS the Administrator has agreed, on the basis, inter alia, of the foregoing, to extend the Interim Fund Credit to the Borrower upon the terms and conditions set forth in this Agreement and in the Project Agreement of even date herewith concluded between the Administrator and SONEG;

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, with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) The term "Association", wherever used in the General Conditions means the International Development Association acting as Administrator of the Interim Fund referred to in the Preamble to the Interim Fund Development Credit Agreement.

(b) The terms "Development Credit Agreement", "Credit" and "Credit Account", wherever used in the General Conditions, are amended to read "Interim Fund Development Credit Agreement", "Interim Fund Credit" and "Interim Fund Credit Account", respectively.

(c) A new paragraph, numbered 15, is added to Section 2.01 to read as follows: "15 Participating Country" means any country that meets the requirements set forth in Section 5(e) of Resolution No. IDA 184 of the Board of Governors of the Association, adopted on June 26, 1996, as determined by the Administrator as of the date on which the Interim Fund Credit was approved pursuant to Section 5(c) of said Resolution"; and "Participating Countries" means, collectively, all such countries";

(d) The last sentence of Section 3.02 is deleted.

(e) The second sentence of Section 5.01 is modified to read:

"Except as the Administrator and the Borrower shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a Participating Country or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Administrator, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."; (f) In Sections 6.02 and 7.01 of the General Conditions, the term "Association" shall also mean the International Development Association acting in its own capacity.

(g) Section 6.03 is modified to read:

"Section 6.03. Cancellation by the Administrator. If (a) the right of the Borrower to make withdrawals from the Interim Fund Credit Account shall have been suspended with respect to any amount of the Interim Fund Credit for a continuous period of thirty days, or (b) at any time, the Administrator determines, after consultation with the Borrower, that an amount of the Interim Fund Credit will not be required to finance the Project's costs to be financed out of the proceeds of the Interim Fund Credit, or (c) at any time, the Administrator determines, with respect to any contract to be financed out of the proceeds of the Interim Fund Credit, that corrupt or fraudulent practices were engaged in by representatives of the Borrower or of a beneficiary of the Interim Fund Credit during the procurement or the execution of such contract, without the Borrower having taken timely and appropriate action satisfactory to the Administrator to remedy the situation, and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Interim Fund Credit, or (d) at any time, the Administrator determines that the procurement of any contract to be financed out of the proceeds of the Interim Fund Credit is inconsistent with the procedures set forth

or referred to in the Interim Fund Development Credit Agreement and establishes the amount of the expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Interim Fund Credit, or (e) after the Closing Date, an amount of the Interim Fund Credit shall remain unwithdrawn from the Interim Fund Credit Account, the Administrator may, by notice to the Borrower, terminate the right of the Borrower to make withdrawals with respect to such amount. Upon the giving of such notice, such amount of the Interim Fund Credit shall be canceled."

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) "Special Account" means any of the accounts referred to in Section 2.02 (b) of this Agreement.

(b) "Project Preparation Advance" means the project preparation advance granted by the Administrator to the Borrower pursuant to an exchange of letters dated December 19, 1996, and January 3, 1997, between the Borrower and the Administrator.

(c) "Project Agreement" means the agreement between the Administrator and SONEG of even date herewith, as the same may be amended from time to time, and such term includes all schedules thereto and all agreements supplemental to the Project Agreement.

(d) "Subsidiary Financing Agreement" means the agreement entered into between the Borrower and SONEG pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Financing Agreement and the term "Subsidiary Loan" means the loan provided to SONEG pursuant to the Subsidiary Financing Agreement.

(e) "SEEG" means Société d'Exploitation des Eaux de Guinée, a corporation established and operating pursuant to the commercial laws of the Borrower.

(f) "DNH" means Direction Nationale de l'Hydraulique, a directorate within the Borrower's Ministry responsible for hydraulics.

(g) "DATU" means Direction de l'Aménagement du Territoire et de l'Urbanisme, a directorate within the Borrower's Ministry responsible for urbanis.

(h) "Lease Contract" means the contract, dated April 19, 1989, entered into between SONEG and SEEG for the operation of SONEG's urban water supply systems as the same may be amended from time to time, and such term includes all schedules and agreements supplemental or successor to the Lease Contract.

(i) "Contrat-Plan" means the contract referred to in Section 3.08 of this Agreement as the same may be amended from time to time.

(j) "Project Implementation Manual" ("PIM") means the manual describing the Project reporting and monitoring procedures, plans and other implementation arrangements and specifying the performance indicators to be followed in assessing the progress achieved in the execution of the Project.

(k) "GNF" means the currency of the Borrower.

## ARTICLE II

### The Interim Fund Credit

Section 2.01. The Administrator agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Interim Fund Development Credit Agreement, an amount in various currencies equivalent to eighteen million Special Drawing Rights (SDR 18,000,000).

Section 2.02. (a) The amount of the Interim Fund Credit may be withdrawn from

the Interim Fund Credit Account in accordance with the provisions of Schedule I to this Agreement for expenditures made (or, if the Administrator shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Interim Fund Credit.

(b) The Borrower may, for the purposes of the Project, open and maintain in Dollars three separate special deposit accounts (Special Account A for Parts A and C.2 of the Project, Special Account B for Part B of the Project and Special Account C for Part C.1 of the Project) in a commercial bank on terms and conditions satisfactory to the Administrator, including appropriate protection against set-off, seizure and attachment. Deposits into, and payments out of, the Special Accounts, shall be made in accordance with the provisions of Schedule 5 to this Agreement.

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

Section 2.03. The Closing Date shall be December 31, 2002 or such later date as the Administrator shall establish. The Administrator 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 Interim Fund Credit not withdrawn from time to time at a rate to be set by the Administrator 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 Interim Fund Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date or 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 Administrator 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 Interim Fund Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment and service charges shall be payable semiannually on March 15 and September 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 Interim Fund Credit in semi-annual installments payable on each March 15 and September 15, commencing September 15, 2007 and ending March 15, 2037. Each installment to and including the installment payable on March 15, 2017 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 Administrator may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by: (A) requiring the Borrower to

repay twice the amount of each such installment not yet due until the principal amount of the Interim Fund Credit shall have been repaid; and (B) requiring the Borrower to commence repayment of the principal amount of the Interim Fund 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 Administrator 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 Administrator 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 Administrator on the principal amount of the Interim Fund Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Administrator, 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 Administrator determines that the Borrower's economic condition has deteriorated significantly, the Administrator 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.

Section 2.09. SONEG is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions in respect of Categories (1) (a), and (3) (a) of the table set forth in paragraph 1 of Schedule 1 to this Agreement.

### ARTICLE III

#### Execution of the Project

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

(i) shall carry out Parts B and C.1 of the Project with due diligence and efficiency and in conformity with appropriate, administrative, financial, public utility and environmental practices and shall provide, promptly as needed, the funds, facilities, services and other resources required for such Parts of the Project; and

(ii) without limitation or restriction upon any of its other obligations under the Interim Fund Development Credit Agreement, the Borrower shall: (A) cause SONEG to carry out Parts A and C.2 of the Project and to perform, in accordance with the provisions of the Project Agreement, all the obligations of SONEG therein set forth; (B) take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable SONEG 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 Borrower and the Administrator shall otherwise agree, the Borrower shall carry out Parts B and C.1 of the Project and cause SONEG to carry out Parts A and C.2 of the Project in accordance with the Implementation Schedule set forth in Schedule 4 to this Agreement.

Section 3.02 (a) For the purposes of Parts A and C.2 of the Project, the Borrower shall, under a subsidiary financing agreement to be entered into between the Borrower and SONEG under terms and conditions which shall have been approved by the Administrator, make the proceeds of the Interim Fund Credit allocated from time to time to Categories (1) (a) and (3) (a) of the table set forth in paragraph 1 of

Schedule 1 to this Agreement to SONEG as follows:

(i) an amount equivalent to fifty percent (50%) of the said allocation shall be passed on, on a grant basis, as a contribution to SONEG's equity;

(ii) the remaining portion of the allocation shall be on-lent as a Subsidiary Loan under the Subsidiary Financing Agreement at an interest rate of seven (7%) per annum and shall be repayable over a period of twenty (20) years including a grace period of five (5) years; and

(iii) the amount of the Subsidiary Loan repayable by SONEG shall be the equivalent in Dollars of the currency or currencies withdrawn from the Interim Fund Credit Account in respect of the above-mentioned Categories, such equivalent to be determined as of the date or respective dates of repayments.

(b) The Borrower shall exercise its rights under the Subsidiary Financing Agreement in such manner as to protect the interests of the Borrower and of the Administrator and to accomplish the purposes of the Interim Fund Credit, and, except as the Administrator shall otherwise agree, shall not assign, amend, abrogate or waive the Subsidiary Financing Agreement or any provision thereof.

Section 3.03 Without limitation upon the provisions of Section 3.01 (a) of this Agreement, the Borrower shall: (a) open and thereafter maintain two separate accounts in the name of DNH and DATU (the DNH Project Account and the DATU Project Account) in a commercial bank on terms and conditions satisfactory to the Administrator; (b) deposit into the DNH Project Account an initial amount equivalent to \$50,000; and in the DATU Project Account an initial amount equivalent to \$150,000; (c) thereafter, on the first day of each calendar Semester throughout the execution of the Project, deposit into the DNH Project Account an amount equivalent to at least \$25,000 or such other amount as agreed upon with the Administrator, and in the DATU Project Account an amount equivalent to at least \$120,000 or such other amount as agreed upon with the Administrator; and (d) ensure that amounts deposited into the DNH and DATU Project Accounts, respectively, shall be used only to make payments to meet expenditures required for the execution of the Project, in addition to those financed out of the proceeds of the Credit.

Section 3.04. Except as the Administrator 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 Interim Fund Credit shall be governed by the provisions of Schedule 3 of this Agreement.

Section 3.05 For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Administrator, and furnish to the Administrator not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Administrator, a plan for the future operation of the Project; and

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

Section 3.06 The Borrower and the Administrator 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 and C.2 of the Project shall be carried out by SONEG pursuant to Section 2.03 (a) of the Project Agreement.

Section 3.07. The Borrower shall:

(a) not later than March 31 of each year, commencing on March 31, 1998, furnish to the Administrator for its review, a draft of its investment program for the water sector covering the following three-year period;

(b) following a review of each such draft, the Borrower shall adopt a Water Investment Program satisfactory to the Administrator for the three-year period in question; and

(c) until the date of adoption of the Water Investment Program, and thereafter, during the execution of the Project, the Borrower shall not carry out any investment in the water sector estimated to cost in excess of the equivalent of \$5,000,000 which is not included in the Water Investment Program for the period in question, without the prior approval of the Administrator.

Section 3.08. The Borrower shall: (a) conclude with SONEG a Contrat-Plan under conditions satisfactory to the Administrator specifying, inter alia, SONEG's projected investments program and a water tariffs schedule including a tariff adjustment formula; and (b) perform its obligations under the Contrat-Plan promptly and diligently in accordance with its terms and, except as the Administrator shall otherwise agree, shall not assign, amend, abrogate or waive the Contrat-Plan or any provision thereof.

#### ARTICLE IV

##### Financial and Other Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of Parts B and C.1 of the Project of the departments or agencies of the Borrower responsible for carrying out Parts B and C.1 of the Project.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section, including those for the Special Accounts, audited for each fiscal year in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Administrator;

(ii) furnish to the Administrator, as soon as available, but in any case not later than six months after the end of each such year, the reports of such audit by said auditors, of such scope and in such detail as the Administrator shall have reasonably requested; and

(iii) furnish to the Administrator such other information concerning said records, accounts and the audit thereof as the Administrator shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Interim Fund Credit Account were made on the basis of statements of expenditure, the Borrower shall:

(i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;

(ii) retain, until at least one year after the Administrator has received the audit report for the fiscal year in which the last withdrawal from the Interim Fund Credit Account or payment out of a Special Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the Administrator's representatives to examine such records, and (iii) ensure that such records and accounts be included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contain a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal

controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. The Borrower and the Administrator shall, from time to time, at the request of either party, exchange views with regard to the Borrower's water pricing policies and its plans in respect of the overall development of the water sector.

Section 4.03. The Borrower shall take all measures required on its part to enable: (a) SONEG to carry out its obligations set forth in Sections 4.03, 4.04 and 4.05 of the Project Agreement; and (b) SEEG to carry out its operations and discharge all of its obligations set forth in the Lease Contract.

#### ARTICLE V

##### Remedies of the Association and the Administrator

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

(a) a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out;

(b) SONEG shall have failed to perform any of its obligations under the Project Agreement, the Lease Contract, or the Contrat-Plan;

(c) as a result of events which have occurred after the date of the Interim Fund Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that SONEG will be able to perform its obligations under the Project Agreement;

(d) the Borrower's Ordonnances No. 045/PRG/88 of October 1, 1988, creating SONEG, or No. 028/PRG/89 of April 10, 1989, ratifying the Creation of SEEG or any other instrument taken in execution thereof shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of SONEG to perform any of its obligations under the Project Agreement;

(e) the Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of SONEG or for the suspension of its operations; and

(f) the Lease Contract shall have been amended, suspended, abrogated, replaced or waived without the Administrator's prior consent.

Section 5.02. Pursuant to Section 7.01. (d) of the General Conditions, the following additional events are specified:

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

(b) any event specified in paragraphs (d), (e) and (f) of Section 5.01 of this Agreement shall occur.

#### ARTICLE VI

##### Effective date; Termination Designation of Administrator

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Interim Fund Development Credit Agreement within the meaning of Section 12.01. (c) of the General Conditions: (a) A Contrat-Plan acceptable to the Administrator has been duly concluded and executed between the Borrower and SONEG;

(b) the Project Accounts referred to in Section 3.03 of this Agreement have been opened and initial amounts have been deposited therein in accordance with the provisions of paragraph (b) of the said section 3.03;



(c) the Borrower has settled its arrears due to SEEG for water consumption in the amount of GNF 660,000,000;

(d) SEEG has settled its arrears due to SONEG for water facilities usage fees in the amount of GNF 608,000,000; and

(e) the Subsidiary Financing Agreement has been executed on behalf of the Borrower and SONEG.

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 Administrator:

(a) that the Project Agreement has been duly authorized or ratified by SONEG, and is legally binding upon SONEG in accordance with its terms; and

(b) that the Subsidiary Financing Agreement has been duly authorized or ratified by, and is legally binding upon, the Borrower and SONEG in accordance with its terms;

Section 6.03. 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.

Section 6.04. The obligations of the Borrower under Sections 3.07 and 3.08 of this Agreement and the provisions of Section 5.02 of this Agreement shall cease and determine on the date on which the Interim Fund Development Credit Agreement shall terminate or on the date 25 years after the date of this Agreement, whichever shall be the earlier.

Section 6.05. In the event that the Executive Directors of the Association decide to terminate the functions of the Association as administrator of the Interim Fund pursuant to Section 7 of the Interim Fund Resolution, all of the rights and obligations of the Administrator under this Agreement shall be assumed by the Association in accordance with such decision and with the Interim Fund Resolution as of a date to be notified by the Administrator to the Borrower.

## ARTICLE VII

### Representative of the Borrower; Addresses

Section 7.01. Except as provided in Section 2.09 of this Agreement, the Minister of the Borrower responsible for finance is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section I 1.01. of the General Conditions:

For the Borrower:

Ministry of Economy, Finance and Planning  
Boîte Postale 579  
Conakry, Republic of Guinea

Telex:

22399 MIFIGE

For the Association and the Administrator:

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

Cable address:

Telex:

INDEVAS  
Washington, D.C.

197688 (TRT)  
248423 (RCA)

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/ Mohammed Aly Thiam

Authorized Representative

established

INTERNATIONAL DEVELOPMENT ASSOCIATION  
as Administrator of the interim trust fund

with funds contributed by certain members of  
International Development Association pursuant to  
Resolution No. IDA 184 of the Board of Governors of  
International Development Association

By /s/ Jean-Louis Sarbib

Regional Vice President  
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Interim Fund Credit

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

Category	Amount of the Interim Fund Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
1. Civil Works under:		100% of foreign expenditures and 90% of local expenditures
(a) Part A of the Project	9,790,000	
(b) Part B of the Project	3,600,000	
2. Equipment and vehicles for Part C.1 of the Project	320,000	100% of foreign expenditures and 90% of local expenditures
3. Consultants' Services and training		100%
(a) for Parts A and C.2 of the Project	1,010,000	
(b) for Part B of the Project	970,000	
(c) for Part C.1 of the Project	290,000	

4.	Refunding of Project Preparation Advance	580,000	Amount due pursuant to Section 2.02 (c) of this Agreement
5.	Unallocated	1,440,000	
		<hr/>	
	TOTAL	18,000,000 =====	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower; and

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

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made: (a) in respect of payments made for expenditures prior to the date of this Agreement; and (b) in respect of payments under Category 1 (b) unless the Administrator has received evidence satisfactory to it that the Borrower has concluded the contractual arrangements referred to in paragraph 3 of Schedule 4 to this Agreement.

4. The Administrator may require withdrawals from the Interim Fund Credit Account to be made on the basis of statements of expenditure for expenditures for civil works under contracts not exceeding \$200,000 equivalent and consultants' services (firms) under contracts not exceeding \$100,000 equivalent, and consultants' services (individuals) and goods under contracts not exceeding \$50,000 equivalent, under such terms and conditions as the Administrator shall specify by notice to the Borrower.

#### SCHEDULE 2

##### Description of the Project

The objectives of the Project are to: (a) contribute to alleviating poverty and improving health standards in the Borrower's territory by increasing access to safe water and by rehabilitating existing sanitary facilities and sewerage systems; (b) consolidating existing water production and distribution schemes; and (c) strengthening SONEG's managerial capacity.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Administrator may agree upon from time to time to achieve such objectives:

Part A: Water Supply Network

Rehabilitation and expansion of Conakry's water supply network including inter alia:

- (i) construction of about 300 kms of new water pipelines;
- (ii) construction of two water reservoirs to increase water supply for the city of Conakry; and
- (iii) connection of about 10,000 new households to the water distribution network in Conakry.

Part B: Rehabilitation of Urban Sanitary Facilities

1. Formulation of an institutional scheme to improve the maintenance of the municipal sewerage system in Conakry and implementation of the said scheme.
2. Development of a program aimed at promoting the use of local artisans/small contractors in the construction and maintenance of individual sanitary facilities such

as latrines and septic wells.

3. Construction of a sewerage treatment facility at Conakry harbor.
4. Rehabilitation of the existing sludge and sewerage treatment facility in Conakry.

Part C: Institutional Development and Capacity Building

1. Strengthening DNH's capacity to formulate, implement, enforce and evaluate the Borrower's water policies through the provision of technical advisory services.
2. Strengthening SONEG's managerial capacity including provision of technical advisory services to assist in the preparation and negotiations of a revised lease contract.

\* \* \* \*

The Project is expected to be completed by June 30, 2002.

SCHEDULE 3

Procurement and Consultants' Services

Section 1. Procurement of Goods and Works

Part A: General

Subject to the eligibility restrictions set forth in Section III of this Schedule, goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996 (the Guidelines) and the following provisions of this Section, as applicable.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, works shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix I thereto.
2. The following provisions shall apply to works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Grouping of Contracts

To the extent practicable, contracts for civil works and goods shall be grouped in bid packages estimated to cost \$250,000 equivalent or more each.

Preference for Domestic Contractors

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to works to be carried out by domestic contractors.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Works estimated to cost less than \$250,000 equivalent per contract, up to an aggregate amount not to exceed \$6,000,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. National Shopping

Goods may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

Part D: Review by the Administrator of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Administrator for its review and approval, in accordance with the provisions of paragraph 1 of Appendix I to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Administrator, and with the provisions of said paragraph 1.

2. Prior Review

With respect to each contract for works estimated to cost the equivalent of \$250,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix I to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix I to the Guidelines shall apply.

Section II. Employment of Consultants

1. Consultants' services shall be procured under contracts awarded in accordance with the provisions of the "Guidelines for the Use of Consultants by World Bank Borrowers and by The World Bank as Executing Agency" published by the Bank in August 1981 (the Consultants' Guidelines). For complex, time-based assignments, such contracts shall be based on the standard form of contract for consultants' services issued by the Bank, with such modifications thereto as shall have been agreed by the Administrator. Where no relevant standard contract documents have been issued by the Bank, other standard forms acceptable to the Administrator shall be used.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Administrator review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts, shall not apply to (a) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each or (b) contracts for the employment of individual consultants estimated to cost less than \$50,000 equivalent each. However, said exceptions to prior Administrator review shall not apply to (a) the terms of reference for such contracts; (b) single-source selection of consulting firms, (c) assignments of a critical nature, as reasonably determined by the Administrator, (d) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above, or (e) amendments to contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.

Section III. Eligibility Restrictions

1. Notwithstanding the provisions of paragraph 1.6 of the Guidelines, the proceeds of the Interim Fund Credit may be withdrawn only on account of expenditures for goods and works provided by nationals of, and produced in or supplied from, Participating Countries; consequently, nationals of countries that are not Participating Countries and bidders offering goods or works from such countries shall be disqualified from bidding for such contracts, and the bidding documents shall so specify.

2. Notwithstanding the provisions of paragraph 1.02 of the Consultant Guidelines, only consultants from Participating Countries shall be eligible to provide services financed out of the proceeds of the Interim Fund Credit.

SCHEDULE 4

Implementation Program

1. The Borrower shall:

(a) implement the Project in accordance with the procedures set out in the

PIM and, except as the Administrator shall otherwise agree, the Borrower shall not amend, abrogate or waive any provision thereof which, in the opinion of the Administrator, may materially or adversely affect the execution of the Project; and

(b) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the PIM and performance indicators included in the PIM, satisfactory to the Administrator, the carrying out of the Project and the achievement of the objectives thereof.

2. Not later than May 31, 1999, the Borrower and SONEG shall carry out jointly with the Administrator, a comprehensive mid-term review to assess the progress achieved in the execution of the Project.

(a) Without any limitation to the generality of the foregoing, the review shall cover the implementation and management aspects of the Project, including policy reforms, the performance and use of the technical assistance personnel, the role and performance of national experts involved in the execution of the Project, the status and results of training, reporting, accounting and audit performance, disbursement and procurement procedures, and the level of amounts deposited into the Project Accounts.

(b) Not later than thirty (30) days prior to the said mid-term review, the Borrower and SONEG shall furnish to the Administrator, for its comments, a report in such detail as the Administrator shall reasonably request, including an evaluation of the progress achieved in implementing the various components of the Project, and a draft action plan containing proposals for remedying identified deficiencies.

(c) The Borrower and SONEG shall, promptly thereafter: (i) prepare and adopt an action plan, acceptable to the Administrator, based on the recommendations stemming from the aforementioned review; and (ii) thereafter, carry out the said action plan for the remaining period of Project implementation.

3. The Borrower shall take all measures required on its part to conclude, with a qualified private operator, contractual arrangements satisfactory to the Administrator, for the operation and management of its sewerage systems in the city of Conakry.

#### SCHEDULE 5

##### Special Accounts

1. For the purposes of this Schedule:

(a) the term "Eligible Categories" means, in the case of Special Account A Categories (1) (a), and 3 (a) set forth in the table in paragraph 1 of Schedule 1 to this Agreement; in the case of Special Account B, Categories (1) (b) and (3) (b) set forth in said table and in the case of Special Account C, Categories (2) and (3) (c) set forth in said table;

(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 Interim Fund Credit allocated from time to time to the Eligible Categories in accordance with the provisions of Schedule I to this Agreement; and

(c) the term "Authorized Allocation" means an amount to be withdrawn from the Interim Fund Credit Account and deposited into the Special Accounts pursuant to paragraph 3 (a) of this Schedule, equivalent, in the case of Special Account A to \$350,000 in the case of Special Account B to \$200,000 and in the case of Special Account C to \$100,000 provided, however, that unless the Administrator shall otherwise agree, the Authorized Allocation for:

(i) Special Account A shall be limited to an amount equivalent to \$175,000 until the aggregate amount of withdrawals from the Interim Fund Credit Account allocated to Categories (1) (a), (3) (a) plus the total amount of all outstanding special commitments entered into by the Administrator pursuant to Section 5.02 of the General Conditions for Parts A and C.2 of the Project shall be equal to or exceed the equivalent of \$1,000,000.

(ii) Special Account B shall be limited to an amount equivalent to \$100,000 until the aggregate amount of withdrawals from the Interim Fund Credit Account allocated to Categories (1) (b) and (3) (b) plus the total amount of all outstanding special commitments entered into by the Administrator pursuant to Section 5.02 of the General Conditions for Part B of the Project shall be equal to or exceed the equivalent of \$600,000.

(iii) Special Account C shall be limited to an amount equivalent to \$50,000 until the aggregate amount of withdrawals from the Interim Fund Credit Account allocated to Categories (2) and (3) (c) plus the total amount of all outstanding special commitments entered into by the Administrator pursuant to Section 5.02 of the General Conditions for Part C.1 of the Project shall be equal to or exceed the equivalent of \$300,000.

2. Payments out of the Special Accounts shall be made exclusively for Eligible Expenditures in accordance with the provisions of this Schedule.

3. After the Administrator has received evidence satisfactory to it that the respective Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the respective Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Administrator a request or requests for deposit into the respective 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 Administrator shall, on behalf of the Borrower, withdraw from the Interim Fund Credit Account and deposit into the respective Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of a Special Account, the Borrower shall furnish to the Administrator requests for deposits into such Special Account at such intervals as the Administrator shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Administrator the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which the replenishment is requested. On the basis of each such request, the Administrator shall, on behalf of the Borrower, withdraw from the Interim Fund Credit Account and deposit into the respective Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the respective Special Account for Eligible Expenditures.

All such deposits shall be withdrawn by the Administrator from the Interim Fund Credit 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 Borrower out of a Special Account, the Borrower shall, at such time as the Administrator shall reasonably request, furnish to the Administrator 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 Administrator shall not be required to make further deposits into any Special Account:

(a) if, at any time, the Administrator shall have determined that all further withdrawals should be made by the Borrower directly from the Interim Fund Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

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

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

(d) once the total unwithdrawn amount of the Interim Fund Credit allocated to the Eligible Categories for the respective Special Account, minus the total amount of all outstanding special commitments entered into by the Administrator pursuant to Section 5.02 of the General Conditions with respect to the Parts of the Project related to that Special Account, shall equal the equivalent of twice the amount of the Authorized Allocation for that Special Account.

Thereafter, withdrawal from the Interim Fund Credit Account of the remaining unwithdrawn amount of the Interim Fund Credit allocated to the Eligible Categories for that Special Account shall follow such procedures as the Administrator shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Administrator shall have been satisfied that all such amounts remaining on deposit in the respective Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.

6. (a) If the Administrator shall have determined at any time that any payment out of any 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 Administrator, the Borrower shall, promptly upon notice from the Administrator: (A) provide such additional evidence as the Administrator may request or (B) deposit into the respective Special Account (or, if the Administrator shall so request, refund to the Administrator) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Administrator shall otherwise agree, no further deposit by the Administrator into any Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Administrator shall have determined at any time that any amount outstanding in any Special Account will not be required to cover further payments for Eligible Expenditures, the Borrower shall, promptly upon notice from the Administrator, refund to the Administrator such outstanding amount.

(c) The Borrower may, upon notice to the Administrator, refund to the Administrator all or any portion of the funds on deposit in any Special Account.

(d) Refunds to the Administrator made pursuant to paragraphs 6 (a), (b) or (c) of this Schedule shall be credited to the Interim Fund Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

