

**CONFORMED**

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**CREDIT NUMBER 3945 SL**

# **Development Credit Agreement**

**(Power and Water Project)**

**between**

**REPUBLIC OF SIERRA LEONE**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated July 6, 2004**



**CREDIT NUMBER 3945 SL**

**DEVELOPMENT CREDIT AGREEMENT**

AGREEMENT, dated July 6, 2004, between REPUBLIC OF SIERRA LEONE (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received letters from the Borrower, dated April 26, 2004 and April 29, 2004, respectively, describing a program designed to improve the management of the Borrower's water and power sectors (the Program) and declaring the Borrower's commitment to the execution of such program;

(B) Parts A.1 (d), A.2 (a), (b), (c) and (d), A.3 and A.4 of the Project will be carried out by National Power Authority (NPA), Part B.1 of the Project will be carried out by Sierra Leone Water Company (SALWACO) and Part B.3 of the Project will be carried out by Guma Valley Water Company (GVWC); all with the Borrower's assistance and, as part of such assistance, the Borrower will make available to NPA, SALWACO and GVWC the proceeds of the credit provided for in Article II of this Agreement (the Credit), as set forth in this Agreement;

(C) the Association has agreed, on the basis, *inter alia*, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement and in the agreements of even date herewith between the Association and NPA (the NPA Project Agreement), between the Association and SALWACO (the SALWACO Project Agreement), and between the Association and GVWC (the GVWC Project Agreement);

(D) the Borrower intends to contract from Banque Arabe pour le Development Economique de L'Afrique (BADEA) a loan in an amount equivalent to \$1,650,000 to assist in financing part of the Project on the terms and conditions set forth in an agreement to be entered into between the Borrower and BADEA;

(E) the Borrower intends to contract from Islamic Development Bank (IDB) a loan in an amount equivalent to \$4,610,000 to assist in financing part of the Project on the terms and conditions set forth in an agreement to be entered into between the Borrower and IDB;

(F) the Borrower intends to contract from Organization of Petroleum Export Countries Fund (OPEC Fund) a loan in an amount equivalent to \$1,000,000 to assist in financing part of the Project on the terms and conditions set forth in an agreement to be entered into between the Borrower and OPEC Fund;

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

WHEREAS the Association has agreed, on the basis, *inter alia*, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement;

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) (the General Conditions), with the following modification (the General Conditions) constitute an integral part of this Agreement: the text in Section 5.01 which reads “(a) on account of expenditures in the territories of any country which is not a member of the Bank or for goods produced in, or services supplied from, such territories: or (b)” is deleted in its entirety.

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) “Environmental Audit (EA) of the Kingtom Power Station;” “Environmental Impact Assessment (EIA) of the 33 kV Subtransmission Network of the Western Area;” “Resettlement Action Plan (RAP) for the 33 kV Sub transmission Network of the Western Area;” and “Resettlement Policy Framework for the Distribution Network of the Western Area (RPF-Western Area)” refers to the environmental and social documentation for Parts A.3 and A.4 of the Project, dated April, 2004, and referred to in paragraph C of Schedule 4 to this Agreement;

(b) “Environmental and Social Management Framework” or “ESMF” means the framework dated March, 2004, for Parts B.1 and B.3 of the Project’s describing the environmental and social planning, review, approval, mitigation, monitoring, training, technical assistance, and institutional measures under the Project referred to in paragraph B of Schedule 4 to this Agreement;

(c) “Financial Monitoring Report” or “FMR” means each report prepared in accordance with Section 4.02 of this Agreement;

(d) “FSWMC” means Freetown Solid Waste Management Company, a company to be created by the Borrower pursuant to Section 5.01 (f) (i) (A) of this Agreement, to be responsible for solid waste management in Freetown;

(e) “FSWMC Subsidiary Grant Agreement” means the agreement referred to in Section 5.01 (f) (i) (B) of this Agreement;

(f) “Fiscal Year” or “FY” means the Borrower’s fiscal year, which runs from January 1 through December 31 of the same year;

(g) “GVWC” means Guma Valley Water Company, a company incorporated and operating under the laws of the Borrower, which is responsible for urban water supply;

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

(i) “GVWC Subsidiary Agreement” means the agreement to be entered into between the Borrower and GVWC pursuant to Section 3.01 (b) (iv) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the GVWC Subsidiary Agreement;

(j) “Leones” means the currency of the Borrower;

(k) “MoEP” means Ministry of Energy and Power;

(l) “MYS” means Ministry of Youth and Sports;

(m) “National Commission on Privatization” or “NCP” means the commission established by the Borrower in 2001 for the purpose of implementing its Strategic Plan for the Divestiture of State Enterprises;

(n) “NPA” means National Power Authority, a company incorporated and operating under the laws of the Borrower, which is responsible for generation, transmission and distribution of electricity;

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

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

(q) “PIU-POWER” means the Project Implementation Unit established by NPA and referred to in paragraph A.1 (b) of Scheduled 4 to this Agreement;

(r) “PIU-WATER” means the Project Implementation Unit established by SALWACO and referred to in paragraph A.1 (c) of Scheduled 4 to this Agreement;

(s) “Procurement Plan” means the Borrower’s procurement plan, dated May 4, 2004 covering the initial 18 month period of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.02 to this Agreement, to cover succeeding 18 month periods (or longer) of Project implementation.

(t) “Project Implementation Plan” or “PIP” means the plan to be adopted pursuant to Section 6.01 (b) of this Agreement and referred to in paragraph A.2 of Schedule 4 to this Agreement, which shall include the criteria, policies, requirements and procedures for the implementation of the Project, including administration, accounting and financial management procedures, as such plan may be amended from time to time with the prior agreement of the Association;

(u) “Project Preparation Advance” means the project preparation advance granted by the Association to the Borrower pursuant to the letter agreement signed on behalf of the Association on February 4, 2004 and on behalf of the Borrower on February 10, 2004;

(v) “Resettlement Policy Framework” or “RPF” means the framework dated March, 2004, outlining the modalities for land acquisition, resettlement and rehabilitation under Parts B.1 and B.3 of the Project referred to in paragraph B of Schedule 4 to this Agreement;

(w) “SALWACO” means Sierra Leone Water Company, a company incorporated and operating under the laws of the Borrower, which is responsible for rural water supply;

(x) “SALWACO-GVWC Agreement” means the agreement referred to in Section 2.01 (c) (ii) of the SALWACO Project Agreement;

(y) “SALWACO-MYS Agreement” means the agreement referred to in Section 2.01 (c) (i) of the SALWACO Project Agreement;

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

(aa) “SALWACO Subsidiary Grant Agreement” means the agreement to be entered into between the Borrower and SALWACO pursuant to Section 3.01 (b) (ii) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the SALWACO Subsidiary Grant Agreement;

(bb) “Solid Waste Management Study” means the study dated February 2004 which includes measures for the carrying out of Part B.2 (a) of the Project, and referred to in paragraph D of Schedule 4 to this Agreement; and

(cc) “Special Accounts” means the accounts referred to in Section 2.02(b) of this Agreement.

## **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 twenty four million two hundred thousand Special Drawing Rights (SDR 24,200,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit.

(b) The Borrower may, for the purposes of the Project, open and maintain in Dollars two separate special deposit accounts set forth herein:

- (i) Special Account A, to be managed by NPA in respect of Part A of the Project; and
- (ii) Special Account B, to be managed by SALWACO in respect of Part B of the Project;

in a commercial bank or commercial banks on terms and conditions satisfactory to the Association, including appropriate protection against set off, seizure or 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 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 March 31, 2010 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 (60) 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 and service charges shall be payable semiannually on June 15 and December 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 semiannual installments payable on each June 15 and December 15 commencing December 15, 2014 and ending June 15, 2044. Each installment to and including the installment payable on June 15, 2024 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 (3) 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 (6) 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 (5) 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**

#### **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, without any limitation or restriction upon any of its other obligations under this Agreement, shall:

- (i) (A) through NCP carry out Parts A.1 (a) and (b) of the Project; (B) through MoEP carry out Parts A.1 (c) and A.2 (e) of the Project; and (C) through MYS carry out B.2 (a) of the Project; and
- (ii) cause: (A) NPA to carry out Parts A.1 (d), A.2 (a), (b), (c) and (d), A.3 and A.4 of the Project; (B) SALWACO to carry out Part B.1 of the Project; and (C) GVWC to carry out Part B.3 of the Project,

all with due diligence and efficiency and in conformity with appropriate administrative, financial and public utilities practices, and, in the case of NPA, SALWACO, and GVWC to perform in accordance with the provisions of their respective Project Agreement all their obligations therein set forth, take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable NPA, SALWACO, and GVWC, respectively, to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance; and

- (b) For the purpose of carrying out:
  - (i) Parts A.1 (d), A.2 (a), (b), (c) and (d), A.3 and A.4 of the Project, the Borrower shall, out of the proceeds of the Credit, relend to NPA an amount equivalent to \$10,700,000 or such other amount or amounts as shall be allocated to NPA in Schedule 1 to this Agreement under a subsidiary loan agreement to be entered into between the Borrower and NPA (the NPA Subsidiary Loan Agreement), under terms and conditions which shall have been approved by the Association, and which shall include: (A)

interest rate of 5% per annum; (B) repayment of principal in 20 years (including 5 years of grace); and (C) assumption by NPA of any foreign exchange risk.

- (ii) Parts B.1 and B.2 (a) of the Project, the Borrower shall make available to SALWACO, out of the proceeds of the Credit allocated from time to time to SALWACO in Schedule 1 to this Agreement, under a subsidiary grant agreement to be entered into between the Borrower and SALWACO (the SALWACO Subsidiary Grant Agreement), under terms and conditions which shall have been approved by the Association, which shall include, for the purpose of Part B.2 (a) of the Project, the obligation of the PIU-WATER to assist the MYS in the carrying out of such Part the Project with respect to financial management, including management of funds, and procurement requirements.
- (iii) Part B.2 (b) of the Project, the Borrower shall make available to FSWMC, upon its establishment, the proceeds of the Credit allocated from time to time to FSWMC in Schedule 1 to this Agreement, under a subsidiary grant agreement to be entered into among the Borrower, FSWMC and SALWACO (the FSWMC Subsidiary Grant Agreement), under terms and conditions which shall have been approved by the Association, which shall include the obligation of the PIU-WATER to assist the FSWMC in the carrying out of Part B.2 (b) of the Project with respect to financial management and procurement requirements.
- (iv) Part B.3 of the Project, the Borrower shall enter through a subsidiary agreement with GVWC under terms and conditions, which shall have been approved by the Association (the GVWC Subsidiary Agreement), such subsidiary agreement to include:
  - (A) that the Borrower shall relend to GVWC an amount equivalent to \$700,000 or such other amount or amounts as shall be allocated to GVWC in Schedule 1 to this Agreement, with the following terms: (A) interest rate of 5% per annum; (B) repayment of principal in 20 years (including 5 years of grace); and (C) assumption by GVWC of any foreign exchange risk.
  - (B) that the Borrower shall make available to GVWC, as a grant, an amount equivalent to \$2,000,000 or such other amount or amounts as shall be allocated to GVWC in Schedule 1 to this Agreement.

(C) that the management of the funds referred to in sub-paragraphs (A) and (B) above shall be carried out by SALWACO in accordance with, *inter alia*, the SALWACO-GVWC Agreement referred to in Section 2.01(c)(ii) of the SALWACO Project Agreement.

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

(d) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out the Project, or cause the Project to be carried out, as the case may be, in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. (a) Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement, as said provisions may be further elaborated in the Procurement Plan.

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

Section 3.03. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Borrower shall:

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

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

Section 3.04. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and

reports, maintenance and land acquisition, respectively) in respect of: (a) Parts A.1 (d), A.2 (a), (b), (c) and (d), A.3 and A.4 of the Project shall be carried out by NPA; (B) Part B.1 of the Project shall be carried out by SALWACO; and (C) Part B.3 of the Project shall be carried out by GVWC pursuant to Section 2.03 of the relevant Project Agreement.

## ARTICLE IV

### Financial Covenants

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

(b) The Borrower shall:

- (i) have the financial statements referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Association), audited, in accordance with consistently applied auditing standards acceptable to the Association, by independent auditors acceptable to the Association;
- (ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year (or such other period agreed to by the Association), (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Association), as so audited, and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Association; and
- (iii) furnish to the Association such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Association may from time to time reasonably request.

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

- (i) retain, until at least one year after the Association has received the audit report for, or covering, the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (ii) enable the Association's representatives to examine such records; and
- (iii) ensure that such statements of expenditure are included in the audit for each fiscal year (or other period agreed to by the Association), referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Borrower's progress reporting obligations set out in Schedule 4 to this Agreement, the Borrower shall prepare and furnish to the Association a financial monitoring report, in form and substance satisfactory to the Association, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Credit, and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Association not later than 45 days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Association not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

## **ARTICLE V**

### **Remedies of the Association**

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

(a) NPA shall have failed to perform any of its obligations under the NPA Project Agreement.

(b) SALWACO shall have failed to perform any of its obligations under the SALWACO Project Agreement.

(c) GVWC shall have failed to perform any of its obligations under the GVWC Project Agreement.

(d) As a result of events which have occurred after the date of this Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that:

(i) NPA will be able to perform its obligations under the NPA Project Agreement;

(ii) SALWACO will be able to perform its obligations under the SALWACO Project Agreement; or

(iii) GVWC will be able to perform its obligations under the NPA Project Agreement;

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

(f) the Borrower shall: (i) within 18 months of the Effective Date: (A) have failed to establish the FSWMC under terms and conditions satisfactory to the Association; and, thereafter, (B) have failed to enter into an agreement with SALWACO and FSWMC under terms and conditions satisfactory to the Association (the FSWMC Subsidiary Grant Agreement) to facilitate the commencement by FSWMC of its operations and the subsequent carry out of Part B.2 (b) of the Project; and (ii) have amended, suspended, abrogated or waived the relevant Act establishing the FSWMC so as to affect materially and adversely the ability of FSWMC to perform any of its obligations under the FSWMC Subsidiary Agreement.

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

(a) any event specified in paragraphs (a), (b), (c) and (e) 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 Association to the Borrower; and

(b) any event specified in paragraph (f) of Section 5.01 of this Agreement shall occur.

## ARTICLE VI

### Effective Date; Termination

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

(a) the NPA Subsidiary Loan Agreement, the SALWACO Subsidiary Grant Agreement, the GVWC Subsidiary Agreement, the SALWACO-MYS Agreement, and the SALWACO-GVWC Agreement have been executed by the relevant parties thereof; and

(b) the Borrower has adopted or caused to be adopted a Project Implementation Plan in form and substance satisfactory to the Association.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association:

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

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

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

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



(e) that the SALWACO Subsidiary Grant Agreement has been duly authorized or ratified by the Borrower and SALWACO and is legally binding upon the Borrower and SALWACO in accordance with its terms.

(f) that the GVWC Subsidiary Agreement has been duly authorized or ratified by the Borrower and GVWC and is legally binding upon the Borrower and GVWC 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.

## ARTICLE VII

### Representative of the Borrower; Addresses

Section 7.01. 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 11.01 of the General Conditions:

For the Borrower:

The Minister of Finance  
Ministry of Finance  
Freetown  
Sierra Leone

Facsimile:

(232) 228472

For the Association:

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

Cable address:

Telex:

Facsimile:

INDEVAS  
Washington, D.C.

248423 (MCI) 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 SIERRA LEONE

By

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

**SCHEDULE 1**

**Withdrawal of the Proceeds of the Credit**

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

<u>Category</u>	<u>Amount of the Credit Allocated Expressed in (SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) <u>MoEP</u>		
(a) Goods	200,000	100% of foreign expenditures and 90% of local expenditures
(b) Consultants' Services, Training and Audits	1050,000	100%
(c) Operating Costs	150,000	90%
(2) <u>NCP</u>		
(a) Goods	150,000	100% of foreign expenditures and 90% of local expenditures
(b) Consultants' Services, Training and Audits	750,000	100%
(d) Operating Costs	50,000	90%
(3) <u>NPA</u>		
(a) Goods	1,850,000	100% of foreign expenditures and

<u>Category</u>	<u>Amount of the Credit Allocated Expressed in (SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
		90% of local expenditures
(b) Supply and Installation	2,550,000	100% of foreign expenditures and 90% of local expenditures
(c) Works	1,500,000	100% of foreign expenditures and 90 % of local expenditures
(d) Management Contract for NPA under Part A.1(d) of the Project	3,600,000	100%
(e) Consultants' Services, Training and Audits	800,000	100%
(f) Operating Costs	200,000	90%
(4) <u>SALWACO</u>		
(a) Goods	100,000	100% of foreign expenditures and 90% of local expenditures
(b) Works	3,550,000	100% of foreign expenditures and 90 % of local expenditures
(c) Consultants' Services, Training and Audits	1,850,000	100%
(d) Operating Costs	150,000	90%

<u>Category</u>	<u>Amount of the Credit Allocated Expressed in (SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(5) <u>GVWC</u>		
(a) Goods	200,000	100% of foreign expenditures and 90% of local expenditures
(b) Works	700,000	100% of foreign expenditures and 90 % of local expenditures
(c) Consultants' Services, Training and Audits	950,000	100%
(6) <u>FSWMC</u>		
(a) Goods	600,000	100% of foreign expenditures and 90% of local expenditures
(b) Works	900,000	100% of foreign expenditures and 90 % of local expenditures
(c) Consultants' Services, Training and Audits	250,000	100%
(d) Operating Costs	100,000	90%
(7) Refunding of Project Preparation Advance	600,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(8) Unallocated	1,400,000	
TOTAL	<u>24,200,000</u> =====	

2. For the purposes of this Schedule:

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

(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;

(c) the term “Operating Costs” means the incremental expenses incurred by the Borrower on account of the Project implementation, management and monitoring, including, *inter alia*, printing, utility, maintenance of office equipment, office rental, travel, but excluding salaries of civil servants;

(d) the term “Training” means all costs associated with the training of personnel involved in Project supported activities including 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; and

(e) the term “Supply and Installation” means the expenditures associated with the supply and installation of power-related equipment.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (a) payments made for expenditures prior to the date of this Agreement; (b) Category 4, until the Project management consultants required for PIU-WATER have been retained pursuant to Section III of Schedule 3 to this Agreement; (c) Category 5, until the consultants required to advise on the institutional reforms of GVWC as described under Part B.3 (a) of the Project have been retained pursuant to Section III of Schedule 3 to this Agreement; and (d) Category 6, until FSWMC has been established under terms and conditions satisfactory to the Association, and that, thereafter, the FWSMC Subsidiary Grant Agreement, has been executed under terms and conditions satisfactory to the Association by the parties thereof.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures under contracts for: (a) goods costing less than \$150,000 equivalent per contract; (b) works costing less than \$200,000 equivalent per contract; (c) services of individual consultants costing less than \$50,000 equivalent per contract; (d) services of consulting firms under contracts costing less than \$100,000 equivalent per contract, all under such terms and conditions as the Association shall specify by notice to the Borrower.

## SCHEDULE 2

### Description of the Project

The objective of the Project is to improve the Borrower's sustainable access to essential power, rural water supply and sanitation, and urban solid waste management.

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

Part A:            Power

1.     Sector Reform:

(a)     Provision of technical advisory services for the purpose of revising the Borrower's legal framework governing the generation, transmission and distribution of electricity.

(b)     Provision of technical advisory services and goods for the purpose of assisting the Borrower in establishing a regulatory function within NCP for its power sector.

(c)     Provision of technical advisory services and operating costs for the purpose of creating an Energy Policy, Planning and Coordination Unit within MOEP which shall be responsible for planning in traditional energy, petroleum, and power, including rural electrification and water.

(d)     Provision of technical advisory services for the purpose of ensuring that NPA is managed through a management contract with a private firm.

2.     Capacity Building and Institutional Strengthening

(a)     Provision of technical advisory services and goods for the PIU-POWER to carry out its coordination and supervision responsibilities under the Project.

(b)     Carrying out of the recommendations of the report issued on the rationalization of NPA's workforce.

(c)     Carrying out of training for NPA staff on key operations and management aspects of the power sector as provided in the PIP.



(d) Provision of technical advisory services to implement a loss reduction strategy for the distribution function.

(e) Provision of technical advisory services, goods for, and, supporting the operating costs of, the Bumbuna Project Implementation Unit.

3. Infrastructure

Maintenance of the Borrower's existing power generation capacity through:

(a) Provision of essential spare parts and tools to meet 2 to 3 year maintenance requirements for existing power generating units, including the provision of associated consulting services.

(b) Improvements in the power generation auxiliary systems (cooling, sludge disposal, and boilers) in order to reduce technical losses and increase efficiency of the Kingtom Power Generating Station.

(c) Provision of fire safety equipment.

(d) Provision of pre-payment meters for improvements in commercial activities (billing and revenue collection) as part of the implementation of a loss reduction program.

(e) Construction of two customer service centers in Freetown.

(f) Rehabilitation and reinforcement of the Western Area subtransmission and high voltage distribution network. This activity shall include: (i) completion of the original sub-transmission project (33kV) through the construction of the overhead lines and associated cables, purchase and installation of a transformer and two switchgear panels and the testing, repair and commissioning of the existing equipment; and (ii) provision of tamper-proof cables and security boxes to reduce non-technical losses.

(g) Rehabilitation and reinforcement of the Western Area low voltage distribution network through: (i) carrying out of a needs assessment for 11 kV and low voltage distribution, involving cable repair, provision of transformers; and (ii) the upgrading of the Kortwright-Leicester network to 11kV supply.

4. Social Impact and Environmental Mitigation Measures

(a) Improving the Kingtom Power Generating Station through the installation of air emission and pollution monitoring facilities, checking of soil contamination by local staff using quick check testing methods at the Station site, provision of effluent monitoring facilities and of noise measurement instruments, waste management and adoption of occupational health and safety measures.

(b) Rehabilitation and reinforcement of the transmission and distribution line (the 33kV line) through launching public education and awareness campaigns, clean-up of polychlorinated biphenyls (PCBs), provision of waste disposal site and personnel safety equipment, replanting of disturbed sites.

(c) Compensation to affected people who are living, working or having property in the right of way of the 33 kV transmission line, located specifically in the populated area enclosed between Kingtom, Wilberforce and Blackhall road in the Western Area.

Part B: Water Supply, Sanitation and Solid Waste Management

1. Rural Community Water Supply and Sanitation:

Carrying out of water supply and sanitation activities in four of the Borrower's districts as indicated in the PIP, such activities to include: (a) civil works for water supply and sanitation; (b) financing of related consultancies, equipment, and training activities required; and (c) carrying out of technical advisory services, including preparation of studies, to support the implementation of sector policy reforms.

2. Freetown Solid Waste Management:

(a) Carrying out of emergency works aimed at cleaning and improving the hygiene situation in Freetown in the short term; and (b) Adoption of a permanent solution for Freetown's solid waste problems through the establishment and operation of FSWMC; all through the provision of goods, works and technical advisory services.

3. Urban Water Supply:

(a) Financing technical assistance providers in the area of financial management and business planning, to enable the implementation of commercial oriented reforms in GVWC.

(b) Carrying out funding for emergency works in the Eastern parts of Freetown and meters installation to improve the cost recovery of the service delivery to low-income communities; and

(c) Provision of training on, *inter alia*, utility operation, information technology, monitoring, and, urgently needed equipment for GVWC.

\* \* \*

The Project is expected to be completed by September 30, 2009.

### **SCHEDULE 3**

#### **Procurement**

##### Section I. General

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

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

C. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Association of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

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

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, contracts shall be awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Borrower and works to be carried out by domestic contractors.

##### B. Other Procurement Procedures

1. National Competitive Bidding. Goods estimated to cost less than \$150,000 equivalent per contract and works estimated to cost less than \$250,000 equivalent per contract, may be procured under contracts awarded on the basis of National Competitive Bidding and the following additional provisions:

2. Shopping. Goods estimated to cost less than \$30,000 equivalent per contract may be procured under contracts awarded on the basis of Shopping.

3. Direct Contracting. Goods and works which the Association agrees meet the requirements for Direct Contracting may be procured in accordance with the provisions of said procurement method.

4. Procurement from UN Agencies. Goods estimated to cost less than \$100,000 equivalent per contract may be procured directly from Inter-Agency Procurement Services Office (IAPSO) in accordance with the provisions of paragraphs 3.1 and 3.9 of the Procurement Guidelines.

5. Community Participation. Goods, works and services required for Part B.1 of the Project may be procured on the basis of community participation in accordance with the procedures detailed in the PIP.

### Section III. Particular Methods of Procurement of Consultants' Services

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

#### B: Other Procedures

1. Quality-based Selection. Services for assignments which the Association agrees meet the requirements set forth in paragraph 3.2 of the Consultant Guidelines may be procured under contracts awarded on the basis of Quality-based Selection in accordance with the provisions of paragraphs 3.1 through 3.4 of the Consultant Guidelines.

2. Selection Under a Fixed Budget. Services for assignments which the Association agrees meet the requirements of paragraph 3.5 of the Consultant Guidelines may be procured under contracts awarded on the basis of a Fixed Budget in accordance with the provisions of paragraphs 3.1 and 3.5 of the Consultant Guidelines.

3. Least-cost Selection. Services for assignments which the Association agrees meet the requirements of paragraph 3.6 of the Consultant Guidelines may be procured under contracts awarded on the basis of Least-cost Selection in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

4. Selection Based on Consultants' Qualifications. Services estimated to cost less than \$50,000 equivalent per contract may be procured under contracts awarded

in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.

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

Section IV. Review by the Association of Procurement Decisions

Except as the Association shall otherwise determine by notice to the Borrower, the following contracts shall be subject to Prior Review by the Association: (a) each contract for goods, and services (other than consultants' services) estimated to cost the equivalent of \$150,000 or more; (b) each contract for works estimated to cost the equivalent of \$200,000 or more; (c) each direct contract for goods and works, and services (other than consultants services); and (d) each contract provided by an individual consultant estimated to cost the equivalent of \$50,000 or more; and (e) each contract for consultants' services provided by a firm estimated to cost the equivalent of \$100,000 or more. All other contracts shall be subject to Post Review by the Association.

## SCHEDULE 4

### Implementation Program

#### A. Overall Project Implementation

1(a) The Borrower shall maintain the National Commission on Privatization for the purposes of, *inter alia*, carrying out Parts A.1 (a) and (b) of the Project.

1(b) NPA shall maintain the PIU-POWER, throughout the period of implementation of the Project, with structure, functions and responsibilities, and with competent staff in adequate numbers and qualifications satisfactory to the Association, for the purpose of assisting in the carrying out of Part A of the Project.

1(c) SALWACO shall maintain the PIU-WATER, throughout the period of implementation of the Project, with structure, functions and responsibilities, and with competent staff in adequate numbers and qualifications satisfactory to the Association, for the purpose of assisting in the carrying out Part B of the Project.

2. Except as the Association shall otherwise agree, the Borrower shall: (a) apply the criteria, policies, requirements and procedures set out in the Project Implementation Plan; and (b) not amend or waive, or permit to be amended or waived, the Project Implementation Plan, or any provisions thereof, in a manner which, in the opinion of the Association may materially and adversely affect the implementation of the Project.

#### B. Environmental and Social Management - Water

1. Environmental and Social Management Framework (ESMF), and Resettlement Policy Framework (RPF):

(a) Except as the Association shall otherwise agree, SALWACO or GVWC, as the case may be, shall:

- (i) carry out or cause Parts B.1 and B.3 of the Project to be carried in accordance with the environmental, social and resettlement guidelines, rules and procedures defined in the ESMF, and the RPF (including the preparation and implementation of the appropriate action plans for compensation or resettlement, as the case may be, in accordance with the RPF, said plans to be in form and substance satisfactory to the Association); and

- (ii) not amend or waive, or permit to be amended or waived, the ESMF or the RPF, or any provisions thereof, in a manner, which, in the opinion of the Association may materially and adversely affect the implementation of Parts B.1 and B.3 of the Project.

2. SALWACO or GVWC, as the case may be, shall ensure that: (a) all measures necessary for the carrying out of the ESMF and the RPF are taken in a timely manner; and (b) the progress reports referred to in paragraphs E and F of this Schedule shall include adequate information on monitoring the measures defined in the ESMF and the RPF.

3. SALWACO or GVWC, as the case may be, shall:

- (a) prior to commencing any civil works and when required under the ESMF, carry out an environmental and social impact assessment in form and substance satisfactory to the Association;

- (b) in the event that an environmental and social impact assessment determines that such civil works, if carried out, would have in the opinion of the Association a potential for adverse environmental impact, not approve such the carrying out of such civil work until an appropriate action under the ESMF has been discussed and agreed upon by SALWACO or GVWC, as the case may be, and the Association to mitigate such potential negative impact; and

- (c) thereafter carry out such agreed mitigation action referred to in subparagraph (b) above.

4. Prior to commencement of civil works involving involuntary resettlement or involuntary acquisition of land, the SALWACO or GVWC, as the case may be, shall prepare and implement appropriate action plan or plans, as the case maybe, for compensation or resettlement, in accordance with the RPF, such action plan or plans to be in form and substance satisfactory to the Association.

C. Environmental and Social Management - Power

1. Environmental Audit (EA) of the Kingtom Power Station; Environmental Impact Assessment (EIA) of the 33 kV Subtransmission Network of the Western Area; Resettlement Action Plan (RAP) for the 33 kV Subtransmission Network of the Western Area; and Resettlement Policy Framework (RPF-Western Area) for the Distribution Network of the Western Area:

- (a) Except as the Association shall otherwise agree, NPA shall:

- (i) Carry out or cause Parts A.3 and A.4 of the Project to be carried out in accordance with the environmental, social and resettlement guidelines, rules and procedures defined in the EA, EIA, RAP and the RPF-Western Area (including the preparation and implementation of the appropriate action plans for compensation or resettlement, as the case may be, in accordance with the RPF, said plans to be in form and substance satisfactory to the Association); and
- (ii) Not amend or waive, or permit to be waived, the EA, EIA, RAP and the RPF-Western Area, or any provision thereof, in a manner which, in the opinion of the Association may materially and adversely affect the implementation of Parts A.3 and A.4 of the Project.

2. NPA shall ensure that: (a) all measures for carrying out the recommendations of the EA, EIA, RAP and RPF-Western Area are taken in a timely manner; and (b) the progress reports referred to in paragraphs E and F of this Schedule shall include adequate information on monitoring the measures defined in the EA, EIA, RAP and RPF-Western Area.

3. Prior to energizing the 33 kV subtransmission line in the Western Area, NPA shall ensure that the RAP has been fully implemented in form and substance satisfactory to the Association.

4. Prior to the commencement of any subcomponent of the distribution component involving involuntary resettlement or involuntary land acquisition, the Borrower shall prepare and implement appropriate action plan or plans, as the case maybe, for compensation and/or resettlement, in accordance with the RPF-Western Area, such action plans to be in form and substance satisfactory to the Association.

D. Emergency Solid Waste Management

Except as the Association shall otherwise agree, the Borrower, through MYS, shall:

(a) Carry out Part B.2 (a) the Project in accordance with the relevant provisions of the Solid Waste Management Study in form and substance satisfactory to the Association; and

(b) Not amend or waive, or permit to be amended or waived, the Solid Waste Management Study, or any provisions thereof, in a manner, which, in the opinion of the Association may materially and adversely affect the implementation of Part B.2 (a) of the Project.



E. Monitoring and Reporting

1. The Borrower, with the assistance of NPA, SALWACO and GVWC pursuant to the relevant Project Agreement, shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in Schedule 6 to this Agreement, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, or cause to be prepared, under terms of reference satisfactory to the Association, and furnish to the Association, on or about January 30 of each year, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph E.1 (a) of this Schedule, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Association, by February of each year, or such later date as the Association shall request, the report referred to in paragraph E.1(b) of this Section, and thereafter act promptly and diligently in order to take, or cause to be taken, any corrective action deemed necessary to remedy any shortcoming identified in the implementation of the Project, or to implement such measures as may have been agreed between the Borrower and the Association in furtherance of the objectives of the Project.

F. Midterm Review

1. The Borrower shall, with the assistance of NPA, SALWACO, GVWC pursuant to the relevant Project Agreement, carry out, jointly with the Association, not later than March, 2007 a comprehensive midterm review aimed at: (i) documenting progress toward achieving the Project objectives; (ii) identifying and resolving obstacles to Project implementation; (iii) adjusting, in agreement with the Association, targets and corresponding programs to reflect progress achieved in the implementation of the Project as of the date of the review; and (iv) an overall evaluation of the Project against the indicators set forth in Schedule 6 to this Agreement.

2. The Borrower shall not later than four weeks prior to the midterm review referred to in paragraph F.1 above, with the assistance of NPA, SALWACO, GVWC pursuant to the relevant Project Agreement, furnish to the Association a midterm report, in such detail as the Association shall reasonably request, including an evaluation of the progress achieved in the Project implementation.

3. Promptly after completing the midterm review, the Borrower shall take, or cause to be taken, all measures required to fulfill the recommendations arising out of said review for the efficient completion of the Project and the achievement of the objectives thereof, with due diligence and efficiency and in accordance with appropriate practices, taking into account the Association's comments thereon.

## **SCHEDULE 5**

### **Special Accounts**

1. For the purposes of this Schedule:

(a) the term “eligible Categories” means Categories (1) through (6) set forth in the table in Paragraph 1 of Schedule 1 to this Agreement;

(b) the term “eligible expenditures” means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term “Authorized Allocation” means with respect to: (i) the Special Account A, an amount equivalent to \$1,750,000; and (ii) the Special Account B an amount equivalent to \$1,750,000, to be withdrawn from the Credit Account and deposited into the Special Accounts pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to: (i) \$850,000 in respect of Special Account A; and (ii) \$850,000 in respect of Special Account B, until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 5,000,000.

2. Payments out of the respective Special Accounts shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Association has received evidence satisfactory to it that the 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 Association 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 Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the respective Special Account such amount or amounts as the Borrower shall have requested.

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

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the 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 Association from the 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 the respective Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into any Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the 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 Association, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of the records and accounts for the Special Accounts;

(c) if, at any time, the Association 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 Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories for the respective Special Account, minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the

General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

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

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

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

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

## **SCHEDULE 6**

### **Performance Indicators**

For the purposes of this Agreement, the performance indicators to be used for the Project implementation are as follows:

#### Power

1. Enactment of a new Electricity Law and NPA Act.
2. Creation of a regulatory function for the power sector within NCP.
3. Establishment of the National Energy Policy and Planning Unit and its operationalization.
4. Implementation of a management contract with a private firm for NPA.
5. 85% of energy sales are collected (excluding arrears).
6. fuel efficiency of 18 kWh/1G.
7. Reduction of the non-technical losses from 13.6% to 10.2% in 2006 and 6.8% in 2007.
8. Staff ratio of NPA at 90 customers per employee.
9. Increase in the amount of gross generation (GWh) from 120 GWh to 150 GWh in 2005 and 180 GWh in 2006.

#### Water

10. Emergency solid waste clean up of Freetown completed.
11. 150,000 of urban and rural people provided with access to operational, sustainable and improved water and sanitation facilities.

12. 3 water piped gravity fed system, and spring boxes, boreholes, wells, and sanitary facilities rehabilitated and constructed.
13. 90% of water and sanitation community-based committees formed under the Project functioning, and in charge of operating community water supply and sanitation services.
14. SALWACO's capacity to facilitate service in the water sector strengthened.
15. Adoption of a national water supply and sanitation strategy.
16. Establishment of a well functioning waste management mechanism for Freetown.
17. Improved billing ratio and financial management capacity of GVWC.
18. Reduction of commercial and technical losses in GVWC.