

CONFORMED COPY

CREDIT NUMBER 3566 GUI

Development Credit Agreement

(Third Water Supply and Sanitation Project - Supplemental Financing)

between

REPUBLIC OF GUINEA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated September 27, 2001

CREDIT NUMBER 3566 GUI

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated September 27, 2001 between REPUBLIC OF GUINEA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Borrower and the Administrator have entered into an Interim Fund Development Credit Agreement (Third Water Supply and Sanitation Project) dated May 5, 1997 (the Interim Fund Development Credit Agreement), as amended from time to time, for the purpose of assisting in the financing of the project described in Schedule 2 to the Interim Fund Development Credit Agreement (the Project);

(B) the Borrower has requested the Association to provide further additional assistance in support of the Project by increasing the amount made available under the Interim Fund Development Credit Agreement by an amount in various currencies equivalent to twenty million Special Drawing Rights (SDR 20,000,000); and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to provide such additional assistance 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), with the modifications set forth (the General Conditions), constitute an integral part of this Agreement:

(a) A new paragraph (12) is added to Section 2.01 to read as set forth below,

and the existing paragraphs (12) through (14) of said Section are accordingly renumbered as paragraphs (13) through (15):

"12. 'Participating Country' means any country that the Association determines meets the requirements set forth in Section 11 of Resolution No. 194 of the Board of Governors of the Association, adopted on April 8, 1999; and 'Participating Countries' means, collectively, all such countries." ; and

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

"Except as the Borrower and the Association 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 Association, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

Section 1.02. Unless the context otherwise requires, the several terms defined in the Preamble to this Agreement, the General Conditions and in the Interim Fund Development Credit Agreement have the respective meanings therein set forth: (a) the term "Interim Fund Development Credit Agreement" means the agreement dated May 5, 1997 for the Project, between the Borrower and the Association as Administrator of the Interim Trust Fund, established with the funds contributed by certain members of the International Development Association pursuant to Resolution No. IDA 184 of the Board of Governors of International Development Association, as such agreement may be amended from time to time, and such term includes the "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, as applied to such agreement, and all schedules and agreements supplemental to the Interim Fund Development Credit Agreement; and (b) the term "Project Account" means the account referred to in Section 3.02 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 million Special Drawing Rights (SDR 20,000,000).

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 Part B of the Project, open and maintain in dollars a special deposit account in a commercial bank 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 Account shall be made in accordance with the provisions of Schedule 2 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2004 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

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

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

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

Section 2.06. Commitment charges and service charges shall be payable semiannually on 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 Credit in semiannual installments payable on each March 15 and September 15 commencing September 15, 2011, and ending March 15, 2041. Each installment to and including the installment payable on March 15, 2021 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by 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 Credit shall have been repaid; and (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

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

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

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

ARTICLE III

Execution of the Project

Section 3.01. (a) Subject to paragraph (b) of this Section, Sections 3.01, 3.02, 3.04 and 4.01 of the Interim Fund Development Credit Agreement and Schedules 1, (except the table in paragraph 1 thereof), 2, 3 and 4 thereto are incorporated in the Development Credit Agreement, with the following modifications in said Sections and Schedules, unless the context otherwise requires:

- (i) the term "Administrator" shall be read as " Association";
- (ii) the term "Interim Fund Credit" and "Interim Fund Credit Account" shall be read as "Credit" and "Credit Account"; and
- (iii) the term "this Agreement" or "the Interim Fund Development Credit Agreement" shall be read as "the Development Credit Agreement".

(b) So long as any part of the Interim Fund Credit provided for under the Interim Fund Development Credit Agreement shall remain outstanding and unless the Borrower has been notified otherwise by the Association:

(i) all actions taken, including approvals given, by the Administrator pursuant to any of the Sections of, and Schedules to, the Interim Fund Development Credit Agreement enumerated in paragraph (a) of this Section, as well as pursuant to Section 2.02 (a) of the Interim Fund Development Credit Agreement, shall be deemed to be taken or given in the name of and on behalf of both the Administrator and the Association; and

(ii) all information or documentation furnished by the Borrower to the Administrator pursuant to the provisions of any such Sections of the Interim Fund Development Credit Agreement or Schedules thereto shall be deemed to be furnished to the Administrator and the Bank.

Section 3.02. Without limitation upon the provisions of Section 3.01 a) of this Agreement, and except as the Borrower and the Association shall otherwise agree, the Borrower shall:

(i) open an account in Guinean Francs in a commercial bank acceptable to the Administrator (the Project Account) and thereafter maintain said Project Account under terms and conditions acceptable to the Administrator until completion of the Project;

(ii) deposit into the Project Account an initial amount equivalent to \$130,000 (the Initial Deposit) and thereafter quarterly replenish the Project Account by depositing therein an amount equivalent to \$237,000, no later than every March 30, June 30, September 30 and December 30 until completion of the Project, to finance the Recipient's contribution for expenditures under the Project other than those financed from the proceeds of the Credit.

Section 3.03. (a) Without limitation upon the provisions of Section 4.01 of the Interim Fund Development Credit Agreement, the Borrower shall carry out a time-bound action plan acceptable to the Association for the strengthening of the financial management system referred to in paragraph (a) of said Section 4.01 in order to enable the Borrower, not later than eighteen months after the Effective Date, or such later date as the Association shall agree, to prepare quarterly Project Management Reports, acceptable to the Association, each of which:

(i) (A) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for the Project for the six-month period following the period covered by said report, and (B) shows separately expenditures financed out of the proceeds of the Credit during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Credit during the six-month period following the period covered by said report;

(ii) (A) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and (B) explains variances between the actual and previously forecast implementation targets; and

(iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Credit, as at the end of the period covered by said report.

(b) Upon the completion of the action plan referred to in paragraph (a) of this Section, the Borrower shall prepare, in accordance with guidelines acceptable to the Association, and furnish to the Association not later than 45 days after the end of each calendar quarter a Project Management Report for such period.

Section 3.04. Part B of Schedule 2 to the Interim Fund Development Credit

Agreement is amended to read as follows:

"4. Rehabilitation of the existing sludge and sewerage treatment facility in Conakry and construction of a new sewerage system and waste water treatment plant."

Section 3.05. Schedule 4 of the Interim Fund Development Credit Agreement is amended by adding a new paragraph 4 which shall read:

"4. The Borrower shall:

(a) no later than August 31, 2001, appointed an expert, with qualifications and experience satisfactory to the Administrator, to assist in the preparation of bidding documents needed for the contracting of a new private operator to manage, on its behalf, urban water supply and sanitation services in its territory;

(b) no later than November 30, 2001, launch the competitive bidding process for contracting the private operator referred to in the preceding subparagraph;

(c) no later than July 31, 2002, taken all necessary steps for the conclusion of a contract with a private operator to manage its water and sanitation services referred to in the preceding subparagraph, including completion of the bidding process for the selection of such private operator, identification of a successful bidder and carrying out of good faith negotiations with such bidder; and

(d) no later than December 31, 2002, included a sanitation surcharge on the water tariff at a rate satisfactory to the Administrator to finance operation and maintenance of its water supply and sanitation facilities."

ARTICLE IV

Remedies of the Association

Section 4.01. Pursuant to Section 6.02 (l) of the General Conditions, the following additional events are specified, namely the events set out in Section 5.01 of the Interim Fund Development Credit Agreement, provided, however that the term "Administrator" wherever it appears in such Section shall be read as "Association".

Section 4.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional event is specified, namely the event set out in Section 5.02 of the Interim Fund Development Credit Agreement, provided, however, that the term "Administrator" wherever it appears in such Section shall be read as "Association".

ARTICLE V

Effective Date; Termination

Section 5.01. 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 Borrower has adopted a detailed action plan, satisfactory to the Administrator, setting forth the timetable and specific actions needed for the selection and appointment of a new private operator which shall be responsible for the management of water supply and sanitation services in its territory;

(b) the Borrower has, pending the selection and appointment of a new private operator which shall be responsible for the management of water supply and sanitation services in its territory, adopted interim arrangements, satisfactory to the Administrator, for the management of such water supply and sanitation services, including the recruitment of technical staff with experience and qualifications satisfactory to the Administrator to assist in the carrying out of such activities; and

(c) the Borrower has open a Project account and deposited therein the Initial Amount referred to in Section 3.02 (ii) of this Agreement.

Section 5.02. The date ninety (90) days after the date of this Agreement is

hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VI

Representative of the Borrower; Addresses

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

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

For the Borrower:

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

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

248423 (MCI) or
64145 (MCI)

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

REPUBLIC OF GUINEA

By /s/ Mohamed Aly Thiam

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Pamela Cox

Acting Regional Vice President
Africa

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 to each Category and the percentage of expenditures for items so to be financed in each Category:

Amount of the
Credit Allocated % of
(Expressed in Expenditures

Category	SDR Equivalent)	to be Financed
(1) Civil works under Part B of the Project	18,100,000	100% of foreign expenditures and 90% of local expenditures
(2) Consultants' services and' training under Part B of the Project	1,700,000	100%
(3) Operating Costs under Part B of the Project	200,000	75%
TOTAL	20,000,000	

SCHEDULE 2
Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2) and (3) 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 an amount equivalent to \$2,500,000, to be withdrawn from the Credit Account and deposited into the Special Account 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 \$1,500,000, 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 2,000,000.

2. Payments out of the Special Account 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 Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the 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 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 Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposits into the 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 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 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 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 the 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 Account;

(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 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 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 the 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 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 the 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 the 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 Account.

(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.

