Project Agreement

(Power Sector Development Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

Société Nationale d'Electricité du Burkina

Dated December 20, 2004
GRANT NUMBER H133 BUR

PROJECT AGREEMENT

AGREEMENT, dated December 20, 2004, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and Société Nationale d’Electricité du Burkina (SONABEL).

WHEREAS (A) by the Development Grant Agreement of even date herewith between Burkina Faso (the Recipient) and the Association, the Association has agreed to make available to the Recipient an amount in various currencies equivalent to forty three million four hundred thousand Special Drawing Rights (SDR 43,400,000), on the terms and conditions set forth in the Development Grant Agreement, but only on condition that SONABEL agrees to undertake such obligations toward the Association as are set forth in this Agreement;

(B) by a Subsidiary Loan Agreement to be entered into between the Recipient and SONABEL, part of the proceeds of the Grant as provided for under the Development Grant Agreement will be made available to SONABEL on the terms and conditions set forth in said Subsidiary Loan Agreement; and

WHEREAS SONABEL, in consideration of the Association’s entering into the Development Grant Agreement with the Recipient, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Development Grant Agreement, the Preamble to this Agreement and in the General Conditions (as modified by the Development Grant Agreement) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

Section 2.01. (a) SONABEL declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Grant Agreement, and to this end, it shall carry out Parts A.2, B and C of the Project with due diligence and efficiency and in conformity with sound administrative, financial, engineering and public utility and environmental practices, and provide or cause to be provided, promptly as needed, the
funds, facilities, services and other resources required for the carrying out of the said Parts of the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Association and SONABEL shall otherwise agree, SONABEL shall carry out Parts A.2, B and C of the Project in accordance with the Implementation Program set forth in Schedule 4 to the Development Grant Agreement and the provisions of this Agreement.

Section 2.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants’ services required for Parts A.2, B and C of the Project and to be financed out of the proceeds of the Grant shall be governed by the provisions of Schedule 3 to the Development Grant Agreement.

Section 2.03. (a) SONABEL shall carry out the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 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 the Project Agreement and Parts A.2, B and C of the Project.

(b) For the purposes of Section 9.06 of the General Conditions and without limitation thereto, SONABEL shall:

(i) prepare, 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 Association and SONABEL, a plan designed to ensure the continued achievement of the Project objectives; and

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

Section 2.04. SONABEL shall duly perform all its obligations under the Subsidiary Loan Agreement. Except as the Association shall otherwise agree, SONABEL shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the Subsidiary Loan Agreement or any provision thereof.

Section 2.05. Without limitation to its obligations elsewhere in this Agreement, SONABEL shall establish and maintain, until the completion of the Project, an environmental and social management unit with a composition and terms of reference satisfactory to the Association.
Section 2.06. SONABEL shall:

(a) at the request of the Association, exchange views with the Association with regard to the progress of Parts A.2, B and C of the Project, the performance of its obligations under this Agreement and under the Subsidiary Loan Agreement, and other matters relating to the purposes of the Grant; and

(b) promptly inform the Association of any condition which interferes or threatens to interfere with the progress of the Parts A.2, B and C of the Project, the accomplishment of the purposes of the Grant, or the performance by SONABEL of its obligations under this Agreement and under the Subsidiary Loan Agreement.

ARTICLE III

Management and Operations of SONABEL

Section 3.01. SONABEL shall carry on its operations and conduct its affairs in accordance with sound administrative, financial and public utility practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 3.02. SONABEL shall at all times operate and maintain its buildings, office space, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, in accordance with sound engineering, financial and public utility practices.

Section 3.03. SONABEL shall take out and maintain with responsible insurers, or make other provision satisfactory to the Association for insurance against such risks and in such amounts as shall be consistent with appropriate practice.

ARTICLE IV

Financial Covenants

Section 4.01. (a) SONABEL shall establish and maintain a financial management system, including records and accounts, and prepare financial statements, all in accordance with accounting standards acceptable to the Association, consistently applied, adequate to reflect its operations and financial condition and to register separately the operations, resources and expenditures related to Parts A.2, B and C of the Project from SONABEL’s general operations.

(b) SONABEL shall:

(i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each FY audited, in accordance with auditing
standards acceptable to the Association, consistently applied by independent auditors acceptable to the Association;

(ii) furnish to the Association as soon as available, but in any case not later than six (6) months after the end of each such year: (A) certified copies of the financial statements referred to in paragraph (a) of this Section, for such year as so audited; and (B) an opinion on such statements and report of such audit by the said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

(iii) furnish to the Association such other information concerning such records, accounts and financial statements, and the audit thereof, and concerning the said auditors, as the Association may from time to time reasonably request.

Section 4.02. SONABEL shall:

(a) produce funds from internal sources equivalent to: (i) not less than 40% of the three-year average of its capital expenditures until 2008 included; (ii) not less than 70% of the three-year average of its capital expenditures from 2009 onwards;

(b) maintain its accounts receivables from electricity sales at all times at no more than: (i) 120 days of electricity sales in 2005; (ii) 105 days of electricity sales in 2006; and (iii) 90 days of electricity sales in 2007, from the beginning of each calendar year and onward;

(c) maintain a ratio of current assets to current liabilities of not less than 1.2 at all times; and

(d) communicate annually to IDA the SONABEL investment program as approved by its Board of Directors.

ARTICLE V

Effective Date; Termination;

Cancellation and Suspension

Section 5.01. This Agreement shall come into force and effect on the date upon which the Development Grant Agreement becomes effective.

Section 5.02. (a) This Agreement and all obligations of the Association and of SONABEL hereunder shall terminate on the earlier of the following two dates:
(i) the date on which the Development Grant Agreement shall terminate in accordance with its terms; or

(ii) the date fifteen years after the date of this Agreement.

(b) If the Development Grant Agreement terminates in accordance with its terms before the date specified in paragraph (a) (ii) of this Section, the Association shall promptly notify SONABEL of this event.

Section 5.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.
ARTICLE VI

Miscellaneous Provisions

Section 6.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telex or facsimile to the party to which it is required or permitted to be given or made at such party’s address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. Deliveries made by facsimile transmission shall also be confirmed by mail. The addresses so specified are:

For the Association:

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

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

For Société Nationale d’Electricité du Burkina (SONABEL):

55, Avenue de la Nation
01 BP 54 Ouagadougou 01
Burkina Faso

Télex : Fax :
SONABEL 5208 BF (226) 50 31 03 40

Section 6.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of SONABEL, or by SONABEL on behalf of the Recipient under the Development Grant Agreement, may be taken or executed by the President of the Board of Directors of SONABEL or such other person or persons as SONABEL shall designate in writing, and SONABEL shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 6.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.
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.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ A. David Craig

Authorized Representative

SOCIETE NATIONALE D'ÉLECTRICITE DU BURKINA

By /s/ Tertius Zongo

Authorized Representative