CONFORMED COPY

GRANT NUMBER H291-CA

Financing Agreement

(Emergency Urban Infrastructure Rehabilitation and Maintenance Project)

between

CENTRAL AFRICAN REPUBLIC

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 20, 2007
GRANT NUMBER H291-CA

FINANCING AGREEMENT

AGREEMENT dated June 20, 2007, entered into between the CENTRAL AFRICAN REPUBLIC ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equivalent to twelve million Special Drawing Rights (SDR 12,000,000) ("Financing") to assist in financing the project described in Schedule 1 to this Agreement ("Project").

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.

2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.

2.04. The Payment Dates are June 15 and December 15 in each year.

2.05. The Payment Currency is the Euro.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the technical aspects of Part B of the Project through its Ministry of Urbanism and cause Part A of the Project and the fiduciary aspects of Part B of the Project to be carried out by the Project Implementing Entity in accordance with the provisions of Article IV of the General Conditions and the Project Agreement.
3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

**ARTICLE IV — REMEDIES OF THE ASSOCIATION**

4.01. The Project Implementing Entity’s Legislation having been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under the Project Agreement is an Additional Event of Suspension.

**ARTICLE V — EFFECTIVENESS; TERMINATION**

5.01. The Additional Conditions of Effectiveness consist of the following:

   (a) The Subsidiary Agreement, in form and substance satisfactory to the Association, has been executed on behalf of the Recipient and the Project Implementing Entity, and has become effective.

   (b) The Recipient has recruited a monitoring and evaluation specialist for the Technical Secretariat of the Steering Committee with terms of reference, qualification and experience satisfactory to the Association.

5.02. The Additional Legal Matter consists of the following:

   (a) The Subsidiary Agreement has been duly authorized or ratified by the Recipient and the Project Implementing Entity and is legally binding upon the Recipient and the Project Implementing Entity in accordance with its terms.

5.03. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient’s Representative is the Minister of the Recipient at the time responsible for international cooperation.

6.02. The Recipient’s Address is:

Minister of Economy, Planning and International Cooperation
Ministry of Economy, Planning and International Cooperation
Bangui
Central African Republic

Facsimile:
(236) 61 96 89 with a copy to: (236) 61 73 87

6.03. The Association’s Address is:

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

Cable address: Telex: Facsimile:
INDEVAS 248423(MCI) or 1-202-477-6391
Washington, D.C. 64145(MCI)
AGREED in Bangui, Central African Republic, as of the day and year first above written.

CENTRAL AFRICAN REPUBLIC

By /s/ Sylvain Maliko

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Jelena Pantelic

Authorized Representative
SCHEDULE 1

Project Description

The objective of the Project is to assist the Recipient in rapidly rehabilitating, restoring, improving and expanding sustainable access to basic infrastructure services to the population of the most deprived districts of Bangui.

The Project consists of the following parts:

Part A: Infrastructure Rehabilitation

(a) Increasing potable water supply to the residents of Bangui, through support in: (i) reducing water losses and unaccounted for water; (ii) increasing SODECA’s water delivery capacity; and (iii) providing deep boreholes.

(b) Reducing the number of people affected by periodic flooding through support in: (i) rehabilitating drainage structures and equipments; and (ii) piloting low cost drainage technologies.

(c) Creating an operational solid waste management system, through support in: (i) constructing transfer stations; (ii) improving access to functioning dumpsites; (iii) strengthening the capacity of the stakeholders in solid waste management; and (iv) increasing communities’ solid waste management awareness.

(d) Rehabilitating primary and secondary gravels and dirt roads in Bangui, through support in: (i) rehabilitating roads; and (ii) improving the drainage along these roads.

Part B: Capacity Building

Strengthening management capacities of institutions involved in the implementation and oversight of the Project, including in the technical, fiduciary, monitoring and evaluation areas.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

The Recipient shall, throughout the implementation of the Project, maintain the following implementation and coordination arrangements:

(a) The Ministry of Urbanism shall be responsible for the overall implementation of the Project.

(b) The Project Steering Committee, including representatives of the Ministry of Urbanism, the Ministry of Equipment, the Ministry of Planning, the Ministry of Hydrology, the Project Implementing Entity, SODECA, the Municipality of Bangui, the civil society and at least two representatives of the districts of Bangui where the Project is implemented, is chaired by the Minister of Planning and the Minister of Urbanism is acting as its General Secretary. The Project Steering Committee shall be responsible for the overall oversight and supervision of the Project and the coordination of the various public entities involved in the implementation of the Project.

(c) The Technical Secretariat shall support the Steering Committee through: (i) follow up and evaluation of work performed by the Project Implementation Entity and the Municipality of Bangui, (ii) technical advise to the Steering Committee, (iii) preparation of consolidated technical and financial reports, and (iv) dissemination of lessons learned from the Project and communication.

(d) The Project Implementing Entity shall be responsible for the technical and fiduciary aspects (financial management and procurement) of the implementation of Part A of the Project, with technical support from SODECA for Part A (a) of the Project, and the Municipality of Bangui for Part A (b), (c) and (d) of the Project. In addition, the Project Implementing Entity shall be responsible for the fiduciary aspects (financial management and procurement) of the implementation of Part B of the Project.

B. Subsidiary Agreement

1. To facilitate the carrying out of the Project Implementing Entity’s Respective Part of the Project, the Recipient shall make part of the proceeds of the Financing available to the Project Implementing Entity under a subsidiary agreement between the Recipient and the Project Implementing Entity (“Subsidiary Agreement”), under terms and conditions approved by the Association.
2. The Recipient shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

C. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

D. Safeguards

Starting six months after the Effective Date, the Recipient shall implement the Project, and shall ensure that the Project Implementing Entity implements the Project, in accordance with the guidelines, procedures, timetables and other specifications set forth in the Environment and Social Management Framework and the Resettlement Policy Framework.

Except as the Association shall agree in writing, the Recipient shall not abrogate, amend, repeal, suspend, waive or otherwise fail to enforce the provisions of the Environment and Social Management Framework and the Resettlement Policy Framework, when in the opinion of the Association, it may adversely and materially affect the implementation of the Project.

E. Staff and Manual

The Recipient shall maintain, and cause the Project Implementing Entity to maintain, throughout the implementation of the Project, sufficient resources and staff with experience and qualification satisfactory to the Association, for the performance of their obligations under this Agreement and the Project Agreement, respectively.

The Recipient shall carry out the technical aspects of Part B of the Project, and shall cause the Project Implementing Entity to carry out Part A of the Project and the fiduciary aspects of Part B of the Project, in accordance with the provisions of the Project Operational Manual, and shall not, unless the Association shall otherwise agree, amend or waive any provision thereof which in the opinion of the Association may adversely and materially affect the implementation of the Project.
Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators set forth below in sub-paragraph (b) of this paragraph. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than one month after the end of the period covered by such report.

(b) The performance indicators referred to above in sub-paragraph (a) consist of the following:

(i) Number of people protected against periodic flooding;
(ii) Number of people getting access to potable water;
(iii) Number of people getting access to all year passable roads;
(iv) Number of people getting access to a sustainable solid waste management system; and
(v) Establishment and operation of a solid waste management team in the Municipality of Bangui.

2. For purposes of Section 4.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than July 31, 2012.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association not later than forty five days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.

3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six months after the end of such period.
Section III. Procurement

A. General

1. Goods and Works. All goods and works required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. Consultants’ Services. All consultants’ services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.

3. Definitions. The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.

   The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines shall apply to goods manufactured in the territory of the Recipient and works to be carried out by domestic contractors.

2. Other Methods of Procurement of Goods and Works. The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) National Competitive Bidding</td>
</tr>
<tr>
<td>(b) Shopping</td>
</tr>
<tr>
<td>(c) Direct Contracting</td>
</tr>
</tbody>
</table>
C. Particular Methods of Procurement of Consultants’ Services

1. Quality- and Cost-based Selection. Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. Other Methods of Procurement of Consultants’ Services. The following table specifies methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Least Cost Selection</td>
</tr>
<tr>
<td>(b) Selection Under a Fixed Budget</td>
</tr>
<tr>
<td>(c) Selection Based on Consultant’s Qualifications</td>
</tr>
<tr>
<td>(d) Single Source Selection</td>
</tr>
<tr>
<td>(e) Selection of Individual Consultants</td>
</tr>
</tbody>
</table>

D. Review by the Association of Procurement Decisions

Except as the Association shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the Association:

(a) each contract for works estimated to cost the equivalent of $500,000 or more; each contract for goods estimated to cost the equivalent of $200,000 or more; the 3 first contracts for works and goods procured through National Competitive Bidding; and each contract for works or goods procured through Direct Contracting; and

(b) each contract for consultants’ services provided by a firm estimated to cost the equivalent of $100,000 or more; each consultant services procured on the basis of single source; each individual consultant services contract estimated to the equivalent of $50,000 or more and each individual consultant contract procured on the basis of single source.

All other contracts shall be subject to Post Review by the Association.

All training and workshop activities will be carried out on the basis of annual programs (identifying the general framework of the training activities for the
year, including: (i) the type of training or workshop; (ii) the personnel to be trained; (iii) the institution which will conduct the training; (iv) the duration of the proposed training; (v) the outcome and impact of the training) submitted annually for the prior approval of the Association.

All terms of reference for the selection of consultants shall be submitted to the Association for prior review.

Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing (“Category”), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works and consultants’ services for Part A of the Project</td>
<td>10,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, works and consultants’ services for Part B of the Project</td>
<td>2,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>12,000,000</td>
<td></td>
</tr>
</tbody>
</table>

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed $250,000 equivalent may
be made for payments made prior to this date but on or after April 1, 2007, for Eligible Expenditures under Category (2).

2. The Closing Date is January 31, 2012.

**Section V. Other Undertakings**

(i) No later than three months after the Effective Date, the Recipient shall cause the Project Implementing Entity to recruit an internal auditor for the Project, with terms of reference, qualification and experience satisfactory to the Association.

(ii) No later than three months after the Effective Date, the Recipient shall recruit an external auditor for the Project, with terms of reference, qualification and experience satisfactory to the Association.

(iii) No later than three months after the Effective Date, the Recipient shall cause the Project Implementing Entity to establish a computerized information system for the financial management and procurement of the Project (including software customization, adoption of the Project manual of financial, accounting and administrative procedures in form and substance satisfactory to the Association, training and short term assistance), in a manner satisfactory to the Association.

(iv) No later than three months after the Effective Date, the Recipient shall cause sufficient staff of each entity involved in the implementation of the Project to be trained to use the Procurement Guidelines and the Consultants Guidelines.

(v) No later than three months after the Effective Date, the Recipient shall cause the Project Implementing Entity to recruit a procurement specialist with terms of reference, qualification and experience satisfactory to the Association.

(vi) No later than three months after the Effective Date, the Recipient shall cause the Project Implementing Entity to recruit a safeguard consultant for the implementation of Part A of the Project, with terms of reference, qualification and experience satisfactory to the Association.

(vii) No later than six months after the Effective Date, the Recipient shall adopt and disclose an Environmental and Social Management Framework and a Resettlement Policy Framework, each in form and substance satisfactory to the Association.

(viii) No later than thirty (30) months after the Effective Date, or such later date as may be agreed upon by the Recipient and the Association, the Recipient and the Association shall carry out a mid term review of the Project, covering the progress achieved in the implementation of the Project. The Recipient shall prepare under terms of reference satisfactory to the Association, and furnish to the Association about three months prior to the beginning of such mid term
review of the Project, a report integrating the results of the monitoring and evaluation activities performed pursuant to this Agreement, on the progress achieved in the carrying out of the Project during the period preceding the date of such report, and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives of the Project during the period following such date.
APPENDIX

Definitions


2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.


4. “Environment and Social Management Framework” means the environment and social management framework to be adopted by the Recipient for the implementation of the Project in accordance with Section V (vii) of Schedule 2 to this Agreement, containing, inter alia, procedures and guidelines for: (i) the assessment of the environmental and social risks of the activities to be carried out under the Project, (ii) the definition and implementation of measures to mitigate such risks, (iii) monitoring the environmental and social impacts of the activities carried out under the Project, and (iv) strengthening institutional capacities as and when needed.

5. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006).

6. “Ministry of Equipment” means the Recipient’s Ministère de l’Equipement et du Désenclavement, which is the Recipient’s ministry in charge, inter alia, of equipment.

7. “Ministry of Hydrology” means the Recipient’s Ministère des Mines, de l’Energie et de l’Hydraulique, which is the Recipient’s ministry in charge, inter alia, of hydrology.

8. “Ministry of Planning” means the Recipient’s Ministère de l’Economie, du Plan et de la Coopération Internationale, which is the Recipient’s ministry in charge, inter alia, of planning.

9. “Ministry of Urbanism” means the Recipient’s Ministère de la Reconstruction des Edifices Publics, de l’Urbanisme et du Logement, which is the Recipient’s ministry in charge, inter alia, of urbanism.
10. “Municipality of Bangui” means the local government of the Recipient’s capital city, Bangui.


12. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated March 27, 2007 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.


14. “Project Implementing Entity’s Legislation” means the Project Implementing Entity’s constitutive documents entitled “Statuts de l’Association”.

15. “Project Operational Manual” means the manual adopted by the Recipient for the implementation of the Project, containing guidelines and procedures satisfactory to the Association to be used for the purpose of implementing the Project, including in the areas of administrative, accounting, financial management, procurement, monitoring and evaluation, coordination, support eligibility, social and environment, and other provisions related to the institutional organization, as such guidelines and procedures may be amended from time to time with the prior agreement of the Association, and such term includes any schedule to the Project Operational Manual.

16. “Resettlement Policy Framework” means the resettlement policy framework to be adopted by the Recipient for the implementation of the Project in accordance with Section V (vii) of Schedule 2 to this Agreement, containing, inter alia, procedures and guidelines applicable in case of displacement of persons incurred as a result of the implementation of the Project, including measures to ensure that the displaced persons are: (i) informed about their options and rights pertaining to resettlement; (ii) consulted on, offered choices among, and provided with technically and economically feasible resettlement alternatives; and (iii) provided prompt and effective compensation at full replacement cost for losses of assets attributable directly to the Project.

17. “SODECA” means Société des Eaux de Centrafrique, the Recipient’s water company.

18. “Steering Committee” means the inter-ministry committee established by inter-ministry arrêté no. 758/07 dated March 12, 2007, entitled arrêté portant création
19. “Subsidiary Agreement” means the agreement referred to in Section I.B of Schedule 2 to this Agreement, entitled *Convention de Maîtrise d'Ouvrage Déléguee*, pursuant to which the Recipient shall, *inter alia*, make part of the proceeds of the Financing available to the Project Implementing Entity.