Financing Agreement

(Governance Capacity Enhancement Project)

between

DEMOCRATIC REPUBLIC OF CONGO

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 26, 2008
FINANCING AGREEMENT

AGREEMENT dated May 26, 2008, entered into between DEMOCRATIC REPUBLIC OF CONGO ("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 Appendix I 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 thirty one million and three hundred thousand Special Drawing Rights (SDR 31,300,000) ("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 April 15 and October 15 in each year.

2.05. The Payment Currency is USD.
ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objectives of the Project and of the Program. To this end, the Recipient shall carry out the Project in accordance with the provisions of Article IV of the General Conditions.

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 Additional Events of Suspension consist of the following:

(a) The legislation pertaining to SC, CPD, PSC, the PPUs, or any other entity or agency involved in the implementation of the Project or the Program, or any text pertaining to their operation, shall have been breached or shall have been amended, suspended, abrogated, repealed or waived so as to affect their ability to implement the Project or perform any of their obligations under this Agreement.

(b) Any goods, works, services or other assistance financed out of the proceeds of the Financing provided to CPD, the PPUs or any other entity or agency involved in the implementation of the Project including any Beneficiaries, shall have been used for purposes other than the Project.

ARTICLE V — EFFECTIVENESS; TERMINATION

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

(a) The Recipient has adopted the PIM and the AAFM, in form and substance satisfactory to the Association.

(b) CPD has recruited a national project coordinator, a national procurement specialist; a part-time international procurement adviser; a financial management specialist, a specialist in monitoring and evaluation; an IT specialist; and an administrative assistant, all with qualifications, experience and terms of reference satisfactory to the Association.
(c) PPUs and PSC have been established in each Pilot Province and PPUs have recruited a local Project coordinator with experience, qualifications and terms of reference satisfactory to the Association.

(d) SC has been established in a manner satisfactory to the Association.

(e) The Recipient has adopted an Anti-Corruption Plan in form and substance satisfactory to the Association.

5.02. 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 at the time in charge of finance.

6.02. The Recipient’s Address is:

Ministry of Finance  
Rue Lubefu No 20, Commune de la Gombe  
Kinshasa I  
BP

Facsimile:  
00 243 880 23 81

6.03. The Association’s Address is:

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

Cable: Telex: Facsimile:  
INDEVAS 248423 (MCI) 1-202-477-6391
 AGREED at Kinshasa, Democratic Republic of Congo, as of the day and year first above written.

DEMOCRATIC REPUBLIC OF CONGO

By: /s/ Athanase Matenda Kyelu
    Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: /s/ Marie Françoise Marie-Nelly
    Authorized Representative
SCHEDULE 1

Project Description

The objective of the Project is to improve the quality of governance and support administrative decentralization in the Democratic Republic of Congo by (a) enhancing transparency and efficiency in central and sub-national public finance and human resource management; and (b) establishing and consolidating an equitable resource sharing mechanism between central and sub-national government.

The Project consists of the following parts:

Part A. Strengthening public financial management and public service management at central government level, including establishing a functioning system of intergovernmental fiscal relations

1. Design and implementation of an administrative decentralization strategy, including but not limited to, the design and implementation of key decentralization laws and decrees and other texts for the establishment of new provinces in accordance with the Constitution, all through the provision of consulting services, and carrying out of related Training and awareness programs.

2. Carrying out of a program of public sector wage reforms, including the design of an integrated personnel and payroll management system, including but not limited to: (a) design and implementation of a public service legislative reform and a public sector payroll and pension reform; (b) provision of equipment to upgrade and operationalize the automated payroll system and establish a comprehensive public service database; (c) carrying out of an assessment of training needs in core public services; and (d) design and implementation of an organizational reform process in the relevant ministries of the Recipient, all through the provision of small works, consultant services, equipment and Training.

3. Carrying out of a program to strengthen public financial management, including but not limited to: (a) reform and reinforcement of the legal and institutional framework for budget management; (b) design and implementation of the Recipient’s medium-term expenditure framework; (c) reform of the Recipient’s fiscal policy and tax administration; and (d) upgrade and expansion of the Recipient’s public financial management computerized system to integrate all public finance operations at the central administration and provincial levels, all through the provision of small works, consulting services, equipment and Training.
Part B. Building public sector and financial management systems in Pilot Provinces

1. Assistance to the Recipient’s governments in Pilot Provinces to improve their public management systems, including but not limited to: (a) design procedures for provincial budget preparation and execution; (b) building of institutional capacity to collect local taxes and develop mechanisms to receive timely and accurate information about revenue collection; and (c) design and implementation of local IT networks on public finance management, all through the provision of small works, consulting services, equipment and Training.

2. Supporting the development of personnel and payroll systems in Pilot Provinces, including but not limited to: (a) development of model organizational structures, procedures for the management of provincial administrations and the relevant regulations; (b) design and implementation of a simplified personnel database system and payroll management systems; and (c) design and implementation of training programs on budget and personnel management, all through the provision of consulting services, equipment and Training.

3. Supporting the strengthening of the capacity of the Recipient’s governments in Pilot Provinces to develop regional economic plans, in order to formulate economic development opportunities and support investments, all through the provision of consulting services, equipment and Training.

4. Assistance and training to the Pilot Provinces’ public administration in designing, building capacity and applying performance indicators to track provincial government performance in policy areas related to basic service delivery, all through the provision of consulting services, equipment and Training.

5. Design and implementation of a framework for donor coordination on capacity development activities in Pilot Provinces and other areas agreed upon with the Association and organization of information and practice sharing activities between the provinces, all through the provision of consulting services, equipment and Training.

6. Assistance to Beneficiaries, including capacity enhancement in public financial management and human resource management, public service delivery and the application of social accountability mechanisms, based on the submission of a demand by provincial authorities as may be approved in the conditions set forth in Section I.C of Schedule 2 to this Agreement and the Project Manuals.
Part C. Governance reform implementation capacity

1. Developing Project implementation capacity in the CPD and PPUs, all through the provision of consulting services, equipment and training and Operating Costs.

2. Implementing the monitoring and evaluation system for measuring implementation progress under the Governance Compact, all through the provision of consulting services, equipment, training and study tours.

3. Building the demand side aspects of the Recipient’s governance reform, including but not limited to: (a) design and implementation of a national communication and dissemination policy with respect to the Governance Compact; and (b) carrying out of regular balanced scorecard surveys on the performance of public services, all through the provision of consulting services, equipment and training.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. Except as the Association shall otherwise agree in writing, the Recipient shall:
   (a) apply the criteria, policies, procedures and arrangements set out in the Project
       Manuals; and (b) not amend or waive, or permit to be amended or waived, the
       Project Manuals, or any provision thereof.

2. SC

   The Recipient shall, at all times during the execution of the Project:

   (a) maintain SC in the form and with functions satisfactory to the
       Association, composed of representatives from the MIDS, Ministry of
       Finance, Ministry of Budget, Ministry of Public Service and Ministry of
       Plan, the Prime Minister’s Office, the Presidency, the provincial
governments including, but not limited to Pilot Provinces, to be
responsible for: (i) coordination of Project activities related to
government strategy, policy development and relations with other
development partners; (ii) approving Annual Work Plans; (iii) approving
Proposals and (iv) providing strategic guidance for efficient execution of
the Project;

   (b) ensure that SC meets at least three times per calendar year; and

   (c) ensure that SC organizes and holds at least one annual meeting in every
year during the execution of the Project with the Association and other
donors, ministries and governors of Pilot Provinces to: (i) review the
proposed Annual Work Plan; (ii) review implementation status and
progress made towards achieving the Project objectives and performance
indicators; (iii) decide on necessary corrective actions for critical
implementation issues; and (iv) coordinate the various projects financed
by other donors.

3. Overall Implementation of the Project

   Except the Association shall otherwise agree in writing:
(a) the Project shall be implemented by MIDS through CPD;

(b) the Recipient shall, at all times during the execution of the Project, maintain CPD in form and with functions satisfactory to the Association, to be responsible for all aspects of financial management and technical management of the Project including: (i) preparing and costing detailed annual implementation plans based on the Annual Work Plans approved by the SC; (ii) managing Project resources (including financial management and disbursements); (iii) recruiting external auditors; (iv) monitoring implementation progress and impacts; (v) compiling activity, monitoring evaluation, financial and audit reports, and following up audit recommendations; (vi) coordinating with technical departments of the involved ministries represented within SC; and (vii) ensuring coordination of Project activities with international and domestic partners, all in compliance with the Project Manuals;

(c) the Recipient shall cause CPD, at all times during the Project’s execution, to: (i) employ staffing resources appropriate to its level of operations, and sufficient to maintain accounting records relating to Project financed transactions and to prepare the Project’s financial reports; and (ii) maintain within CPD the PCT composed of the following staff and consultants, with qualifications, experience and terms of reference satisfactory to the Association: a national project coordinator; a national procurement specialist; a part-time international procurement adviser; a financial manager; a treasurer; an accountant; a specialist in monitoring and evaluation; an IT specialist; an administrative assistant; and an internal auditor; and

(d) the Recipient shall cause, at all times during the execution of the Project: (i) CTR to employ two specialists in public financial management; and (ii) CTRAP to employ one specialist on public service reform, all with qualifications, experience and terms of reference satisfactory to the Association, to ensure effective Project coordination and implementation in the Ministry of Budget, Ministry of Finance and Ministry of Public Service.

4. Provincial Level

Except the Association shall otherwise agree in writing:

(a) the Recipient shall ensure that in each Pilot Province, the Project shall be implemented by a PPU, to: (i) assist the CPD in carrying out its fiduciary functions; (ii) monitor and evaluate Project activities in the relevant Pilot
Province; (iii) report to local stakeholders and the CPD at the central level; and (iv) provide input to the design of Annual Work Plans;

(b) the Recipient shall, at all times during the execution of the Project, maintain in each Pilot Province, a PPU in form and with functions satisfactory to the Association, each composed of: (i) a provincial coordinator; and (ii) a procurement and financial management specialist with experience, qualifications and terms of reference satisfactory to the Association;

(c) the Recipient shall ensure that in addition to the staff mentioned in paragraph (b) above, a liaison officer with experience, qualifications and terms of reference satisfactory to the Association be recruited by the PPU established in the Katanga and Bandundu Pilot Provinces when such Pilot Provinces are split in accordance with the laws of the Recipient; and

(d) the Recipient shall, at all times during the execution of the Project, maintain PSC in the form and with functions satisfactory to the Association, chaired by Governors of Pilot Provinces and comprised of the Recipient’s Provincial Ministries of Interior, Budget, Finance, Planning and Public service, to oversee day-to-day Project implementation at the provincial level.

5. The Recipient shall, at all times during the execution of the Project, ensure that all decentralized authorities, in particular at the provincial level, and other authorities at the local level as provided by the laws of the Recipient and other bodies or state owned enterprises be properly involved where necessary and shall cause the same to duly cooperate for the proper implementation of the Project.

B. Annual Work Plans

1. The Recipient shall ensure that at all times during the execution of the Project,

(a) each PPU prepares and submits to CDP no later than September 30 in each year of the Project an annual work plan describing a set of activities to be carried out in the relevant Pilot Province during the subsequent year, including a budget and implementation arrangements for said activities;

(b) CDP no later than October 31 in each year of the Project (i) reviews the work plan submitted by PPUs; and (ii) prepares a specific annual work plan describing a set of consolidated activities to be carried out at the
central level during the subsequent year, including a budget and implementation arrangements for said activities; and

(c) CDP no later than November 30 in each year of the Project prepares and submits to the review of the Association a consolidated annual work plan, in accordance with guidelines satisfactory to the Association as set forth in the Project Manuals.

2. The Recipient shall cause PPUs and CDP to carry out such Annual Work Plans as shall have been approved by the Association in a manner satisfactory to the Association.

C. Capacity Development Facility

1. In order to respond to demands arising in the Pilot Provinces, Beneficiaries may submit for approval proposals for activities to be financed under the Project based on rules and procedures set forth in the Project Manuals, giving details of: (a) activities to be financed, proposed Beneficiaries and evidence of satisfaction of eligibility criteria; and (b) arrangements and procedures for preparation, appraisal, approval, implementation, and monitoring and evaluation of such activities.

2. Such proposals will be: (a) submitted by Beneficiaries to the relevant Review Committee for a preliminary review of suitability and fulfillment of eligibility criteria; (b) transferred to SC for screening and approval, it being specified that such activities shall not be for an amount in excess of $140,000 equivalent and that their implementation period shall not exceed one year; and thereafter (c) submitted to the Association for its written no objection.

3. Any activities thus approved for financing under the Project will follow the procedures agreed for other activities under the Project in particular with respect to procurement, financial management and other fiduciary arrangements under the responsibility of CDP and PCT.

D. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines and the Anti-Corruption Plan.
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 and Appendix 2 to this Agreement. 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 and the indicators included in Appendix II to this Agreement:

(i) at least thirty percent (30%) of domestic revenue transferred regularly to sub-national government level by 2010;

(ii) Budget Execution Reports published on the Recipient’s Ministry of Budget and Ministry of Finance’s websites on a regular basis; and in and Pilot Provinces; and

(iii) Regular payment of at least sixty percent (60%) of provincial level civil servant salaries in Pilot Provinces.

2. (a) On or about fifteen (15) months after the Effective Date, and every twelve months thereafter, the Recipient shall carry out jointly with the Association, MIDS, SC, PSC, CPD, PPUs a review of the progress made in carrying out the Project (the “Annual Review”), to cover, amongst other things: (i) progress made in meeting the Project’s objective; and (ii) overall Project performance against Project performance indicators.

(b) Prior to the Annual Review, the Recipient shall ensure that a report be prepared and furnished to the MIDS and the Association for review and comments, including an evaluation of CPD and PPUs’ performance based on performance indicators contained in the Project Manuals, integrating the results of the monitoring and evaluation activities performed, describing the progress achieved in the carrying out of the Project and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof thereafter.
(c) The Recipient shall, not later than four (4) weeks after the Annual Review, prepare and submit to the Association an action program, acceptable to the Association, for the further implementation of the Project having regard to the findings of the Annual Review. The Association shall provide its comments on said report within one month from its presentation and the Recipient shall, thereafter, implement such action program.

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 as part of the Project Report not later than forty-five (45) 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, commencing with the fiscal year in which the first withdrawal under the Project Preparation Advance was made. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

4. The Recipient through CPD shall make publicly available promptly after receipt of all annual audit reports (financial or otherwise, including qualified audit reports) and audit management letters and all technical audit reports for the Project prepared in accordance with this Agreement and all formal responses and follow-up actions of the Recipient in relation to such reports. The Recipient shall ensure that CPD shall place the information provided for in this paragraph on the CPD official website (www.mininter.cd, or any successor website thereto) not later than thirty (30) days after the receipt of said reports.
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, subject to the following additional procedures:

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) <strong>National Competitive Bidding.</strong> NCB procedures will be conducted on the basis of the World Bank ICB and SBDS guidelines and modified to take into account the country’s specifics, such as language, currency, advertising and conflict resolution mechanisms.</td>
</tr>
<tr>
<td>(b) <strong>Shopping</strong></td>
</tr>
<tr>
<td>(c) <strong>Direct Contracting</strong></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) Consultant’s Qualifications</td>
</tr>
<tr>
<td>(b) Single Source Selection</td>
</tr>
<tr>
<td>(c) Individual Consultant</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) (i) each contract for works estimated to cost the equivalent of $500,000 or more procured on the basis of International Competitive Bidding; (ii) each contract for works procured on the basis of Direct contracting; (iii) each contract for goods estimated to cost the equivalent of $200,000 or more procured on the basis of International Competitive Bidding; and (iv) each contract for goods procured on the basis of Direct Contracting; and (b) (i) each contract for consultants’ services provided by a firm estimated to cost the equivalent of $100,000 or more and procured on the basis of Quality- and Cost-based Selection; (ii) the first contract for consultants’ services provided by a firm estimated to cost less than $100,000 and procured on the basis of Consultant Qualifications; (iii) each contract for consultants’ services provided by a firm procured on the basis of Single Source Selection; (iv) each contract for consultants’ services provided by an individual consultant to cost the equivalent of $50,000 or more; and (v) each contract for consultants’ services provided by an individual consultant procured on the basis of Single Source Selection. All other contracts shall be subject to Post Review by the Association.
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 the Project</td>
<td>22,750,000</td>
<td>100</td>
</tr>
<tr>
<td>(2) Operating Costs</td>
<td>2,310,000</td>
<td>100</td>
</tr>
<tr>
<td>(3) Training and study tours</td>
<td>1,220,000</td>
<td>100</td>
</tr>
<tr>
<td>(4) Proposals</td>
<td>3,260,000</td>
<td>100</td>
</tr>
<tr>
<td>(5) Refund of Project Preparation Advance</td>
<td>1,250,000</td>
<td>Amount payable pursuant to Section 2.07 of the General Conditions</td>
</tr>
<tr>
<td>(6) Unallocated</td>
<td>510,000</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>31,300,000</strong></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.

2. The Closing Date is February 28, 2013.

Section V Other Undertakings

1. (a) No later than two months from the Date of Effectiveness, the Recipient will have caused CDP: (i) to employ an accountant and a treasurer; and (ii) to carry out the installation of a software for financial management, accounting and procurement; and (b) no later than four months from the Date of Effectiveness, the Recipient will have caused CDP to carry out training on the Association’s financial management procedures for its key financial management staff, all under conditions satisfactory to the Association.

2. No later than three months from the Date of Effectiveness; the Recipient will have caused: (a) CDP to employ: (i) an internal auditor; and (ii) the independent external auditors referred to in Section 4.09 (b) of the General Conditions; (b) two specialists in public financial management be recruited and assigned to CTR; (c) one specialist on public service reform be recruited and assigned to CTRAP; and (d) each PPU to recruit a procurement and financial management specialist, it being specified that no funds may be transferred to any PPU until such recruitments and other requirements satisfactory to the Association shall have been completed; all in accordance with the provisions of Section II of Schedule 3 to this Agreement.

3. No later 60 days from the date of creation of new provinces in the Bandundu and Katanga Pilot Provinces, the Recipient will have caused the relevant PPU’s to employ a liaison officer, satisfactory to the Association, in accordance with the provisions of Section II of Schedule 3 to this Agreement.
APPENDIX I

Section I. Definitions

1. “AAFM” means the Project’s Administrative, Accounting and Financial Manual outlining, *inter alia*, the accounting systems and policies, administrative (including procurement) and financial procedures for the implementation of the Project, including Proposals (as hereinafter defined), to be adopted by the Recipient pursuant to Article 5.01 (b) of this Agreement, as the same may be amended by agreement of the Parties from time to time, and such term includes any schedules to the AAFM.

2. “Annual Work Plan” means the consolidated annual work plan to be prepared by CDP referred to in Section I.B of Schedule 2 to this Agreement.


4. “Anti-Corruption Plan” means the Recipient’s anti-corruption action plan to be adopted by the Recipient pursuant to Section 5.01 (d) of this Agreement, which sets forth the measures and actions to be taken during implementation of the Project with respect to disclosure, civil society oversight, collusion mitigation, mitigation of forgery and fraud, complaints handling and sanctions and remedies.

5. “Beneficiary” means a public entity in a Pilot Province (as hereinafter defined) that in accordance with the criteria established under the Project Manuals is eligible to submit a Proposal (as hereinafter defined).

6. “Budget Execution Reports” means reports on public expenditure published quarterly by the Recipient’s Ministry of Budget and provincial Ministry of Budget.

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


10. “CPD” means Cellule pour la Décentralisation, an agency under the supervision of the MIDS (as hereinafter defined), established and operating pursuant to the Ministerial Order 83 of September 12, 2006.

11. “CTR” means Comité Technique de Suivi des Réformes, the Recipient’s committee in charge of following up on economic reforms, established and operating pursuant to ministerial arrêté 091/Cab/Min/Finances 2004 and 086CAB/MIN/PLAN/2004 dated July 20, 2004.

12. “CTRAP” means Comité Technique pour la Réforme de l’Administration Publique, the Recipient’s committee in charge of implementing public administration reform, established and operating pursuant to ministerial arrêté No. CAB.MIN/FP ?DW/EML/056/2003 dated March 29, 2003 “portant création du Comité Technique pour la Réforme de l’Administration Publique”.


17. “Operating Costs” means the incremental expenses incurred by CDP and PPUs based on annual budgets approved by the Association, on account of Project implementation, management and monitoring, including office supplies, vehicles operation and maintenance, communication costs, rental expenses, utilities expenses, consumables, transport, travel and accommodation, per diem, supervision costs and salaries of locally contracted staff but excluding salaries of the civil servants of the Recipient.

18. “PCT” means the Project coordination team to be established and maintained within CPD as referred to in Section I.A.3.(c) of Schedule 2 of this Agreement.

19. “Pilot Provinces” means the Recipient’s following provinces: Bandundu, Katanga and Sud-Kivu; provided however, that it is understood and agreed that
Bandundu will be divided into three new provinces and Katanga into four new provinces after the administrative-territorial reform planned for implementation no later than 2010.

20. “PIM” means the Project Implementation Manual outlining, *inter alia*, the institutional, procurement, monitoring and other specific arrangements for the implementation of the Project, and procedures and criteria for Proposals, to be adopted by the Recipient pursuant to Article 5.01 (a) of this Agreement, as the same may be amended by agreement of the Parties from time to time, and such term includes any schedules to the PIM.

21. “PPA” or “Project Preparation Advance” means the advance referred to in Section 2.07 of the General Conditions, granted by the Association to the Recipient pursuant to the letter agreement signed on behalf of the Association on July 24, 2007 and on behalf of the Recipient on August 3, 2007.

22. “PPU” or “Provincial Project Unit” means the Project implementation body to be established in each Pilot Province pursuant to Section 5.01 (c) of this Agreement and operating pursuant to the administrative order to be issued by the respective governors in Pilot Provinces, it being specified that unless otherwise agreed in writing with the Association, only three PPUs will be opened for the purposes of the Project, while a liaison officer will be employed by the PPU established in the Bandundu and Katanga Pilot Provinces when the such Pilot Provinces are split.


24. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated January 28, 2008, 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.

25. “Program” means the actions, objectives and policies designed to promote governance and set forth or referred to in the Letter of Sector Development Policy.

26. “Project Manuals” means, collectively, the PIM and the AAFM.

27. “Proposal” means a proposal made by a Beneficiary for activities to be financed under the Project under the conditions set forth in Project Manuals and Section I.C of Schedule 2 to this Agreement.
28. “PRSP Committee” means the committees established at the level of the Beneficiary’s Provinces in charge of following up at the provincial level the implementation of the Beneficiary’s poverty reduction strategy, operating pursuant to Decree No. 03/047 of December 18, 2003.

29. “PSC” and “Provincial Steering Committee” means the Project steering committee established in Pilot Provinces to be established by the arrêté to be issued by the respective governors in Pilot Provinces pursuant to Section 5.01 (c) of this Agreement.

30. “Review Committee” means the Committee established in each Pilot Province for the purpose of reviewing Proposals and composed of a representative for the governorate, the PRSP Committee and representatives of UPP.

31. “SC” means the Project steering committee, to be established and operating pursuant to an inter-ministerial decree to be passed pursuant to Section 5.01(d) of this Agreement.

32. “Training” means the expenses based on annual budgets approved by the Association incurred on per diem, travel, purchase of training materials and rental of facilities, and includes workshops and seminars.
APPENDIX II

Percentage of unrecorded expenses is reduced to less than 5 percent.

Annual increase in tax revenues at central level.

The difference between budgeted and executed expenditures decreases to less than 10 percent of total expenditure at central level.

At least 70 percent of public servants paid via a reformed and computerized payroll system at the central level.

Discrepancy between personnel register and payroll numbers is reduced to less than 5 percent.

The difference between budgeted and real expenditures does not exceed 10 percent of total expenditure at provincial level.

Annual increase in tax revenues at provincial level.

At least 60 percent of public servants in Pilot Provinces are paid via a reformed and computerized payroll system.

The difference between annual budgeted and real Project expenditures is less than 15 percent.

At least 80 percent of annual Project targets are achieved.

Reports produced annually on all key Project outputs, activities and indicators.