

CONFORMED COPY

GRANT NUMBER H236-LIB

Financing Agreement

(Emergency Infrastructure Project)

between

REPUBLIC OF LIBERIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 8, 2006

GRANT NUMBER H236-LIB

FINANCING AGREEMENT

AGREEMENT dated August 8, 2006, between REPUBLIC OF LIBERIA (“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 the Financing 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 twenty million six hundred thousand Special Drawing Rights (SDR 20,600,000) (“Grant”) 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 September 15 and March 15 in each year.
- 2.05. The Payment Currency is the Dollar.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out Parts A, B.1, B.2, and B.3 of the Project

through the Ministry of Public Works, and Part B.4 of the Project through the Ministry of Finance, 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 — EFFECTIVENESS; TERMINATION

- 4.01. The Additional Conditions of Effectiveness are the following:

(a) The Special Implementation Unit has been established under terms of reference acceptable to the Association and the Project coordinator and the procurement specialist either appointed from existing staff of the Recipient or recruited in accordance with the provisions of Section III of Schedule 2 to this Agreement, under terms of reference and with qualifications and experience that are acceptable to the Association.

(b) The Project Financial Management Unit has been established under terms of reference acceptable to the Association and an accountant either appointed from existing staff of the Recipient or recruited in accordance with the provisions of Section III of Schedule 2 to this Agreement, under terms of reference and with qualifications and experience that are acceptable to the Association.

- 4.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Recipient's Representative is the Minister of Finance.

5.02. The Recipient's Address is:

Minister of Finance
Ministry of Finance
Broad Street
1000 Monrovia 10
Liberia

Facsimile:

011-2317-7812997

5.03. 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
Washington, D.C.

248423 (MCI) or
64145 (MCI)

1-202-477-6391

AGREED at Monrovia, Republic of Liberia, as of the day and year first above written.

REPUBLIC OF LIBERIA

By: Antoinette Sayeh

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: Luigi Giovine

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to provide the Recipient with emergency support to restore priority infrastructure through: (a) rehabilitation, repair and reconstruction of critical road and potable water supply infrastructure; and (b) strengthening the capacity of the Recipient's Ministry of Public Works and the Liberia Water and Sewer Corporation.

The Project consists of the following parts:

Part A: **Emergency Rehabilitation, Repair, and Reconstruction of Critical Infrastructure**

1. Supporting the rehabilitation, repair, and reconstruction of the Recipient's primary and secondary road network, including bridges and culverts.
2. Improving the Recipient's potable water supply to Monrovia, through: (a) the emergency rehabilitation of the White Plains surface water treatment plant; and (b) the testing and potential development of additional ground water resources at Paynesville.
3. Supporting the Recipient's emergency electricity generation for Monrovia, through the provision of fuel.

Part B: **Strengthening Institutional Capacity**

1. Strengthening the capacity of the Recipient's Ministry of Public Works and the LWSC, through the provision of technical advisory services, training, goods, and operational support.
2. Supporting the Recipient's Ministry of Public Works in: (a) the re-establishment of basic management and procurement systems; and (b) undertaking a study of its road network as a basis for long-term maintenance planning and budgeting.
3. Supporting the Special Implementation Unit in the management, and monitoring and evaluation of the Project, through the provision of technical advisory services, training, goods, civil works for office rehabilitation, and financing of Operating Costs.

4. Supporting the PFMU in carrying out the financial management of the Project, through the provision of technical advisory services, training, goods, and financing of Operating Costs.

SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. Steering Committee

1. Composition. The Recipient shall maintain at all times during Project implementation a Steering Committee with not more than seven members. Without limitation to the generality of the foregoing, the Steering Committee shall be chaired by MPW's Deputy Minister, Technical Services, and have representatives from, inter alia, the Recipient's Ministry of Transport, Ministry of Finance, Ministry of Planning, and the LWSC.
2. Role. The Steering Committee shall be responsible for providing overall Project oversight and strategic policy guidance under terms of reference that are acceptable to the Association.

B. Special Implementation Unit

3. Composition. Except as otherwise provided in this Agreement, the Recipient shall maintain, at all times during Project implementation, the SIU adequately staffed with persons with terms of reference, qualifications, and experience that are satisfactory to the Association, including a Project coordinator, procurement specialist, financial management specialist, road and water engineers, transport economist, and environmental specialist.
4. Role. The SIU shall be responsible for day to day implementation of the Project. Without limitation to the generality of the foregoing, the SIU shall carry out tasks that shall include: (a) preparation of annual work plans; (b) providing the PFMU with such information as shall be required to enable the PFMU to carry out financial management under the Project; (c) preparation of a consolidated Interim Un-audited Financial Report incorporating financial management information submitted by the PFMU for this purpose; (d) carrying out of procurement; and (e) monitoring and evaluation of Project implementation.

C. Project Financial Management Unit

5. Composition. Except as otherwise provided in this Agreement, the Recipient shall maintain at all times during Project implementation the PFMU adequately staffed with persons with terms of reference, qualifications and experience that are satisfactory to the Association, including a manager, accountant, and internal auditor.

6. Role. The PFMU shall be responsible for carrying out financial management under the Project. Without limitation to the generality of the foregoing, the PFMU shall carry out tasks that shall include: (a) maintenance of accounting records and preparation of financial statements; (b) preparation of the financial aspects of the Interim Un-audited Financial Reports for consolidation by the SIU; (c) processing payments on behalf of the SIU; and (d) facilitating the financial audits, pursuant to the provisions of paragraph B.3 of Section II of this Schedule 2.

D. Environmental and Social Safeguards

7. The Recipient shall carry out an environmental and social assessment of the Project, and prepare an Environmental Management Plan and a Resettlement Action Plan, as the case may be, that are satisfactory to the Association, within six months of the Effective Date. The Recipient shall disclose such documentation in a manner that shall be agreed with the Association and implement the Project in accordance with the said documentation.

E. Annual Work Plans and Procurement Plans

8. The Recipient shall ensure that: (a) an annual work plan is prepared within two months of the Effective Date for the first year of the Project implementation, for the approval of the Association, and on or about the anniversary date of the submission of the said first report for subsequent years of Project implementation; (b) the Project is implemented in accordance with such annual work plans; and (c) a procurement plan for the first year of Project implementation is prepared and submitted for the Association's approval within two months of the Effective Date, and that such plan is updated thereafter in accordance with the provisions of the Consultant and Procurement Guidelines.

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 year commencing from the Effective Date 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) kilometers of primary roads repaired.
 - (ii) number of bridges repaired or constructed.
 - (iii) daily production of potable water at White Plains in million gallons per day.
 - (iv) average reduction in travel time on the Monrovia-Buchanan road and the Monrovia-Ganta corridor.
 - (v) increase in revenue by LWSC.
- (c) Without limitation to the generality of sub-paragraph (a) above, the Recipient shall carry out jointly with the Association, on or about twenty four (24) months after the Effective Date, a comprehensive mid-term review to assess the status of Project implementation. The Recipient shall not later than one (1) month before such review, prepare and furnish to the Association a report that is satisfactory to the Association in scope and detail for purposes of such review.

B. Financial Management, Financial Reports and Audits.

1. The Recipient shall:

- (a) establish a financial management system no later than six months after the Effective Date, and maintain the said system in accordance with the provisions of Section 4.09 of the General Conditions. Without limitation to the generality of the foregoing, the Recipient shall:
 - (i) prepare and adopt a financial management manual for the Project that is satisfactory to the Association;
 - (ii) enter into the MOU, which will constitute part of the financial management arrangements set forth in the said manual;
 - (iii) install an integrated accounting software system that is satisfactory to the Association; and
 - (iv) ensure that prior to the establishment of the financial management system referred to in paragraph B.1 (a) of this Section II, the Project coordinator, accountant, and procurement specialist work effectively together to ensure that all procurement and payments are effected in a timely manner and adequate records maintained to evidence such payments.
 - (b) prepare Interim Un-audited Financial Report formats for the approval of the Association within two months of the Effective Date to facilitate the preparation of the said reports pursuant to the provisions of paragraph B.2 of this Section II of this Schedule 2.
 - (c) appoint an independent auditor under terms of reference that are satisfactory to the Association to carry out financial audits pursuant to Section 4.09 (b) of the General Conditions, within nine months of the Effective Date.
 - (d) ensure that the Project is implemented in accordance with the financial management manual (including the MOU), and except as the Association shall otherwise agree, shall not amend or waive any provision of the said manual or MOU, if in the opinion of the Association the said amendment or waiver could materially or adversely affect the implementation of the Project.
2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association not later than one month after the end of each calendar quarter, Interim Un-audited 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 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 Schedule.
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 Schedule.
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.
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:

Procurement Method
(a) National Competitive Bidding
(b) Shopping
(c) Direct Contracting
(d) Procurement from United Nations Agencies (Inter-Agency Procurement Services Office)

C. Particular Methods of Procurement of Consultants' Services

- 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. The short list of consultants estimated to cost less than \$100,000 per contract may comprise entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Guidelines.
- 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.

Procurement Method
(a) Single Source Selection
(b) Individual Consultants
(c) Selection Based on Consultant Qualifications
(d) Least Cost Selection

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 goods estimated to cost the equivalent of \$100,000 or more;
- (b) each contract for works estimated to cost the equivalent of \$200,000 or more;
- (c) each contract for goods or works procured using Direct Contracting;
- (d) each contract for consultants' services provided by a firm estimated to cost the equivalent of \$50,000 or more;
- (e) each contract for individual consultants estimated to cost the equivalent of \$10,000 or more; and
- (f) each contract for consultants' services provided by a firm or an individual 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 and of this Section and such additional instructions as the Association shall specify by notice to the Recipient, to (a) repay the Project Preparation Advance in accordance with Section 2.07 of the General Conditions; and (b) 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 Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<u>Category</u>	<u>Amount of the Grant Allocated (expressed in SDR)</u>	<u>Percentage of Expenditures to be Financed</u>
(1) Works	13,600,000	100%
(2) Goods	1,800,000	100%
(3) Consultant Services	3,100,000	100%
(4) Training	200,000	100%
(5) Operating Costs	70,000	100%
(6) Refund of Project Preparation Advance	420,000	Amount payable pursuant to Section 2.07 of the General Conditions
(7) Unallocated	1,410,000	
TOTAL AMOUNT	<u>20,600,000</u>	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made:
 - (a) for payments made prior to the date of this Agreement; or
 - (b) under Category 1, unless the Recipient has submitted to the Association an EMP and a RAP, as the case may be, that is satisfactory to the Association and disclosed the said document in such manner as may be required by the Association; or
 - (c) without limitation to the provisions of paragraph B.1 (a) and (b) of this Section IV, no more than the equivalent of three million Dollars (\$3,000,000), can be disbursed from the Grant Account until:
 - (i) the following staff of the SIU have been appointed with terms of reference, qualifications and experience that are satisfactory to the Association either from existing staff of the Recipient or recruited in accordance with the provisions of Section III of Schedule 2 to this Agreement: a procurement specialist (if that recruited as of the Effective Date is only on a short-term basis), road and water engineers, a transport economist and a environmental specialist; and
 - (ii) the following staff of the PFMU have been appointed with terms of reference, qualifications and experience that are satisfactory to the Association either from existing staff of the Recipient or recruited in accordance with the provisions of Section III of Schedule 2 to this Agreement: a manager and an internal auditor.
2. The Closing Date is June 30, 2010.

APPENDIX

Definitions

1. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement;
2. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004;
3. “Environmental Management Plan” means a plan, approved by the Association for Part A of the Project, to be prepared by the Recipient after carrying out an environmental assessment pursuant to paragraph D.7 of Section I of Schedule 2 to this Agreement, proposing appropriate mitigation, monitoring and institutional measures designed to mitigate potential adverse environmental impacts, offset them, reduce them to acceptable levels or enhance positive impacts, as the same may be amended from time to time with the agreement of the Association;
4. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005;
5. “Interim Un-audited Financial Report” means the report referred to in paragraph B.2 of Section II of Schedule 2 to this Agreement, and which: (i) sets forth the sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing funds provided under the Designated Account, and explains variances between the actual and planned uses of such funds; (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and (iii) sets forth the status of procurement under the Project, as at the end of the period covered by the said report;
6. “Operating Costs” means the incremental expenditures incurred by the SIU and PFMU as a result of Project implementation, management and monitoring, including bank charges, communication costs, utilities, office equipment, travel costs and allowances, vehicle and office equipment maintenance, office supplies, and salaries of SIU and PFMU contractual staff, but excluding the salaries of the Recipient’s civil servants;
7. “Liberia Water and Sewer Corporation” or “LWSC” means the corporation established by the Recipient to manage water and sewerage services within its territory;

8. “Ministry of Finance” or “MOF” means the Recipient’s ministry in charge of Finance;
9. “Ministry of Public Works” or “MPW” means the Recipient’s ministry in charge of Public Works;
10. “MOU” means the Memorandum of Understanding to be entered into between the MPW and the MOF setting out the respective obligations of the parties with respect to the financial management arrangements under the Project;
11. “Project Financial Management Unit” or PFMU” means the Project Financial Management Unit established within MOF with a composition and role described in paragraphs C.5 and C.6 of Section I of Schedule 2 to this Agreement;
12. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004;
13. “Procurement Plan” means the Recipient’s procurement plan for the Project, to be prepared by the Recipient within two months of the Effective Date, 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 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 June 8, 2006, and on behalf of the Recipient on June 12, 2006;
15. “Resettlement Action Plan” means a plan approved by the Association for Part A of the Project, to be prepared by the Recipient if necessitated by the outcomes of the environmental and social assessment undertaken pursuant to paragraph D.7 of Section I of Schedule 2 to this Agreement, setting forth principles and procedures governing land acquisition, resettlement and compensation, as well as reporting and monitoring arrangements to ensure compliance with the said plan, as the same may be amended from time to time with the agreement of the Association;
16. “Special Implementation Unit” or “SIU” means the unit established within MPW with a composition and role described in paragraphs B.3 and B.4 of Section I of Schedule 2 to this Agreement; and

17. "Steering Committee" means the committee with a composition and role described in paragraphs A.1 and A.2 of Section I of Schedule 2 to this Agreement.