Financing Agreement

(Economic Management and Governance Reform Grant)

between

CENTRAL AFRICAN REPUBLIC

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 13, 2008
AGREEMENT dated June 13, 2008, entered into between CENTRAL AFRICAN REPUBLIC (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Association has decided to provide this financing on the basis, inter alia, of (a) the actions which the Recipient has already taken under the Program and which are described in Section I of Schedule 1 to this Agreement, and (b) the Recipient’s maintenance of an appropriate macro-economic policy framework. The Recipient and the Association therefore 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 four million eight hundred thousand Special Drawing Rights (SDR 4,800,000) (“Financing”).

2.02. The Recipient may withdraw the proceeds of the Financing in support of the Program in accordance with Section II of Schedule 1 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 May 15 and November 15 in each year.

2.05. The Payment Currency is the Euro.
ARTICLE III — PROGRAM

3.01. The Recipient declares its commitment to the Program and its implementation. To this end:

(a) the Recipient and the Association shall from time to time, at the request of either party, exchange views on the progress achieved in carrying out the Program;

(b) prior to each such exchange of views, the Recipient shall furnish to the Association for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Association shall reasonably request; and

(c) without limitation upon the provisions of paragraphs (a) and (b) of this Section, the Recipient shall exchange views with the Association on any proposed action to be taken after the disbursement of the Financing which would have the effect of materially reversing the objectives of the Program, or any action taken under the Program including any action specified in Section I of Schedule 1 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

4.01. The Additional Event of Suspension is when a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. 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 State, for Planning, Economy and International Cooperation
Ministry of Planning, Economy and International Cooperation
Bangui
Central African Republic

Facsimile:

(236) 61 96 89

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) 1-202-477-6391

Washington, D.C.
AGREED at 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/ Kossi R. Eguida

Authorized Representative
SCHEDULE 1

Program Actions; Availability of Financing Proceeds

Section I. Actions under the Program

The actions taken by the Recipient under the Program include the following:

(A) To strengthen the Recipient’s public finance management

a) In order to improve budget execution and reporting, the Recipient has:

i. Adopted, by decree no. 08.146 of April 15, 2008, modalities and procedures concerning the chain of budgetary expenditures, and accountabilities for the implementation of the state budget consistent with the organization chart of its Ministry of Finance and Budget, and

ii. Nominated, by decrees no. 08.159 and no. 08.162 of April 15, 2008, key staff in the General Directorates responsible for Budget and Treasury in the Ministry of Finance and Budget.

b) In order to strengthen its treasury operations, accounting and reporting systems, the Recipient has:

i. requested, by letter from its Minister of Finance and Budget dated March 26, 2008, that: (A) 51 government accounts considered inactive, dormant or settled be closed immediately, including 32 held at Ecobank, 10 held at Banque Populaire Maroco-Centrafricaine, and 9 held at Commercial Bank Centrafricaine, and (B) the balance on said accounts be transferred to a designated treasury account. Each such commercial bank has confirmed in writing the closing of said government accounts;

ii. adopted, by decision (arrêté) no. 515/MFB/DIR-CAB/DGTCP.08 of April 2, 2008, a new chart of public accounts finalized after extensive consultations including workshops with stakeholders including civil society, donors and government officials; and

iii. redeployed, by decision (arrêté) no. 033/MFB/DIR.CAB/DGT of February 4, 2008, seven (7) treasury agents assigned respectively in the following Recipient’s line ministries generating revenues, to facilitate the reporting of their respective revenues in the Recipient’s government accounts: the Ministry in charge of youth, sport and culture, the Ministry in charge of national security, veterans, war victims, disarmament and army reconstruction, the Ministry in charge of public safety, the Ministry in charge of trade, industry, small and medium size enterprises, the
Ministry in charge of national education, literacy, higher education and scientific research, the Ministry of civil service, labor, social security and professional insertion, and the Ministry in charge of public health and population.

c) In order to improve its tax and customs administration, and facilitate the traceability and expediency of customs clearance, the Recipient has, by decision (arrêté) 513/MFB/DIR.CAB/DGDDI of April 2, 2008, adopted the ASYCUDA ++ computerized information system to produce pre-clearance documents for imports entering the Recipient’s territory through the Port of Douala (Cameroon), so that it be compatible with the one used at the Recipient’s central services in Bangui.

(B) To Improve Public Sector and Governance

a) The Recipient has established within the Prime Minister’s office, by decree no. 08.133 of March 31, 2008, a permanent oversight and coordination committee entitled Comité National de Lutte contre la Corruption, including representatives of civil society. Said committee is responsible, inter alia, for the design of an anti-corruption strategy, the monitoring and oversight of the activities of the various public entities involved in the fight against corruption, and the submission of an annual report on such activities to the Recipient’s parliament.

b) In order to improve governance in the forestry sector, the Recipient has:

i. strengthened fiscal compliance in the forestry sector, by:

   (A) the cancellation, by decrees no.08.044 and 08.045 of February 21, 2008, of two exploitation and improvement permits, in accordance with its remedies in case of non-compliance with the terms and conditions of such permits; and

   (B) the identification of all forestry operators with overdue fiscal obligations, and notification to each such operator by letter from its Minister responsible for forestry dated February 18, 2008, of the deadline for payment of the corresponding amounts, after which date the Recipient would exercise its remedies;

ii. suspended the issuance of new exploitation and improvement permits until the forestry code which is being prepared by the Recipient has been adopted and enacted, by public notice of its Minister responsible for forestry dated March 28, 2008 posted on the government’s website and widely disseminated in the public.
c) In order to strengthen the regulatory framework in the oil sector, the Recipient has:

i. enacted law no. 07.006 of April 24, 2007 creating the new petroleum regulatory body (Agence de Stabilisation et de Régulation du Prix des Produits Pétroliers), adopted its governing documents (statuts) by decree no. 07.307 of October 24, 2007, and the General Manager and the Chairman of the Board of Directors have been nominated, key staff has been appointed, and the Agence de Stabilisation et de Régulation du Prix des Produits Pétroliers is progressively becoming operational; and

ii. ensured that a contract has been signed between Agence de Stabilisation et de Régulation du Prix des Produits Pétroliers and an independent pre-inspection agency of international reputation, pursuant to which, inter alia, said agency is responsible for controlling the quality of imported oil products.

Section II. Availability of Financing Proceeds

A. General. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of this Section and such additional instructions as the Association may specify by notice to the Recipient.

B. Allocation of Financing Amounts. The Financing shall be withdrawn in a single tranche. The allocation of the amounts of the Financing to this end is set out in the table below:

<table>
<thead>
<tr>
<th>Allocations</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single Tranche</td>
<td>4,800,000</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>4,800,000</td>
</tr>
</tbody>
</table>

C. Deposits of Financing Amounts. Except as the Association may otherwise agree:

1. all withdrawals from the Financing Account shall be deposited by the Association into an account or accounts designated by the Recipient and acceptable to the Association; and

2. the Recipient shall ensure that upon each deposit of an amount of the Financing into any such account, an equivalent amount is accounted for in the Recipient’s budget management system, in a manner acceptable to the Association.
D. **Audit.** Upon the Association’s request, the Recipient shall:

1. have the designated accounts referred to in paragraph (C)(1) above audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association;

2. furnish to the Association as soon as available, but in any case not later than four months after the date of the Association’s request for such audit, a certified copy of the report of such audit, of such scope and in such detail as the Association shall reasonably request; and

3. furnish to the Association such other information concerning the designated accounts referred to in paragraph (C)(1) and their audit as the Association shall reasonably request.

E. **Excluded Expenditures.** The Recipient undertakes that the proceeds of the Financing shall not be used to finance Excluded Expenditures. If the Association determines at any time that an amount of the Financing was used to make a payment for an Excluded Expenditure, the Recipient shall, promptly upon notice from the Association, refund an amount equal to the amount of such payment to the Association. Amounts refunded to the Association upon such request shall be cancelled.

F. **Closing Date.** The Closing Date is May 31, 2009.
APPENDIX

Section I. Definitions

1. “Excluded Expenditure” means any expenditure:

(a) for goods or services supplied under a contract which any national or international financing institution or agency other than the Association or the Bank has financed or agreed to finance, or which the Association or the Bank has financed or agreed to finance under another credit, grant or loan;

(b) for goods included in the following groups or sub-groups of the Standard International Trade Classification, Revision 3 (SITC, Rev.3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev.3 (1986) (the SITC), or any successor groups or subgroups under future revisions to the SITC, as designated by the Association by notice to the Recipient:

<table>
<thead>
<tr>
<th>Group</th>
<th>Sub-group</th>
<th>Description of Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>112</td>
<td></td>
<td>Alcoholic beverages</td>
</tr>
<tr>
<td>121</td>
<td></td>
<td>Tobacco, un-manufactured, tobacco refuse</td>
</tr>
<tr>
<td>122</td>
<td></td>
<td>Tobacco, manufactured (whether or not containing tobacco substitutes)</td>
</tr>
<tr>
<td>525</td>
<td></td>
<td>Radioactive and associated materials</td>
</tr>
<tr>
<td>667</td>
<td></td>
<td>Pearls, precious and semiprecious stones, unworked or worked</td>
</tr>
<tr>
<td>718</td>
<td>718.7</td>
<td>Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors</td>
</tr>
<tr>
<td>728</td>
<td>728.43</td>
<td>Tobacco processing machinery</td>
</tr>
<tr>
<td>897</td>
<td>897.3</td>
<td>Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths’ or silversmiths’ wares (including set gems)</td>
</tr>
<tr>
<td>971</td>
<td></td>
<td>Gold, non-monetary (excluding gold ores and concentrates)</td>
</tr>
</tbody>
</table>
(c) for goods intended for a military or paramilitary purpose or for luxury consumption;

(d) for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws of the Recipient or international agreements to which the Recipient is a party;

(e) on account of any payment prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and

(f) with respect to which the Association determines that corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Recipient or other recipient of the Financing proceeds, without the Recipient (or other such recipient) having taken timely and appropriate action satisfactory to the Association to address such practices when they occur.

2. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006) with the modifications set forth in Section II of this Appendix.

3. “Program” means the program of actions, objectives and policies designed to promote growth and achieve sustainable reductions in poverty and set forth or referred to in the letter dated April 14, 2008 from the Recipient to the Association declaring the Recipient’s commitment to the execution of the Program, and requesting assistance from the Association in support of the Program during its execution.

4. “Single Tranche” means the amount of the Financing allocated to the category entitled “Single Tranche” in the table set forth in Part B of Section II of Schedule 1 to this Agreement.

Section II. Modifications to the General Conditions

The modifications to the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006) are as follows:

1. The last sentence of paragraph (a) of Section 2.03 (relating to Applications for Withdrawal) is deleted in its entirety.

2. Sections 2.04 (Designated Accounts) and 2.05 (Eligible Expenditures) are deleted in their entirety, and the remaining Sections in Article II are renumbered accordingly.

3. Sections 4.01 (Project Execution Generally), and 4.09 (Financial Management; Financial Statements; Audits) are deleted in their entirety, and the remaining Sections in Article IV are renumbered accordingly.
4. Paragraph (a) of Section 4.05 (renumbered as such pursuant to paragraph 3 above and relating to *Use of Goods, Works and Services*) is deleted in its entirety.

5. Paragraph (c) of Section 4.06 (renumbered as such pursuant to paragraph 3 above) is modified to read as follows:

   “Section 4.06. Plans; Documents; Records

   … (c) The Recipient shall retain all records (contracts, orders, invoices, bills, receipts and other documents) evidencing expenditures under the Financing until two years after the Closing Date. The Recipient shall enable the Association’s representatives to examine such records.”

6. Section 4.07 (renumbered as such pursuant to paragraph 3 above) is modified to read as follows:

   “Section 4.07. Program Monitoring and Evaluation

   … (c) The Recipient shall prepare, or cause to be prepared, and furnish to the Association not later than six months after the Closing Date, a report of such scope and in such detail as the Association shall reasonably request, on the execution of the Program, the performance by the Recipient and the Association of their respective obligations under the Legal Agreements and the accomplishment of the purposes of the Financing.”

7. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

   (a) The definition of the term “Eligible Expenditure” is modified to read as follows:

   “‘Eligible Expenditure’ means any use to which the Financing is put in support of the Program, other than to finance expenditures excluded pursuant to the Financing Agreement.”

   (b) The term “Financial Statements” and its definition as set forth in the Appendix are deleted in their entirety.

   (c) The term “Project” is modified to read “Program” and its definition is modified to read as follows:

   “‘Program’ means the program referred to in the Financing Agreement in support of which the Financing is made.” All references to “Project” throughout these General Conditions are deemed to be references to “Program.”