Financing Agreement

(Amended and Restated Financing Agreement)

(Public Financial Management Capacity Building Project)

between

REPUBLIC OF CHAD

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated JUNE 20, 2014
FINANCING AGREEMENT

AGREEMENT dated 5 M E, 2014, entered into between REPUBLIC OF CHAD ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association").

WHEREAS (A) under an agreement, dated December 22, 2007, as amended, between the Recipient and the Association ("Original Financing Agreement"), the Association agreed to provide the Recipient with a grant ("Original Grant") in an amount equivalent to six million seven hundred thousand Special Drawing Rights (SDR 6,700,000) to assist in financing the project described in Schedule 1 to the Original Financing Agreement ("Original Project");

(B) the Recipient has requested the Association to provide additional financial assistance in support of additional activities within the scope of the Original Project, by making available to the Recipient an additional grant ("Additional Grant") in an amount equivalent to six million six hundred thousand Special Drawing Rights (SDR 6,600,000); and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing to extend such additional assistance to the Recipient upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the Recipient and the Association hereby agree to amend and restate the Original Financing Agreement, with effect as of the Effective Date of this Agreement, to read 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 thirteen million three hundred thousand Special Drawing Rights (SDR 13,300,000) (variously, "Grant" and "Financing") which consists of:
(a) the Original Grant equivalent to six million seven hundred thousand Special Drawing Rights (SDR 6,700,000); and (b) the Additional Grant equivalent to six million six hundred thousand Special Drawing Rights (SDR 6,600,000), 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 March 15 and September 15 in each year.

2.05. The Payment Currency is 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 Project through its MoF 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 Condition of Effectiveness consists of the following, namely that the Recipient has revised and adopted the Project Implementation Manual.

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 the Recipient at the time responsible for economy, planning and international cooperation.

5.02. The Recipient's Address is:

Ministry of Economy, Planning and International Cooperation
B.P. 286
N'Djamena
Republic of Chad

Facsimile:

(235) 22-51-45-87

5.03. The Association's Address is:

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

Cable: INDEVAS
Telex: 248423 (MCI)
Facsimile: 1-202-477-6391
Washington, D.C.
AGreed at DATIS, FRANCE, as of the day and year first above written.

REPUBLIC OF CHAD

By

[Signature]
Authorized Representative

Name: Mariam Mahamat Nour

Title: Minister of Planning and International Cooperation

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]
Authorized Representative

Name: Paul Nourou Nour

Title: Country Director
SCHEDULE 1

Project Description

The objective of the Project is to help the Recipient to improve accountability in the use of resources managed through the PFM system.

The Project consists of the following parts:

Part I: Public Finance and Financial Accountability

A. Improve budget preparation by providing support for: (i) elaboration of the macro-fiscal projections and the preparation of budgets up to 2017; and (ii) establishment of a system to manage public investment projects.

B. Improve budget execution by: (i) streamlining and simplifying expenditures processes at the level of all entities involved; (ii) reorganizing and strengthening several departments at MoF; and (iii) strengthening the monitoring and evaluation capacity at the macro-level of the Recipient’s ministry in charge of economy, planning and international cooperation.

C. Enhance institutional reforms and restructuring for improved accountability by: (i) updating and harmonizing the financial legal and regulatory framework to reflect the new CEMAC Directives; (ii) upgrading the accounting system at the treasury; (iii) providing technical assistance to support the preparation of the treasury annual financial statements; and (iv) conducting an assessment of the information technology system compliance with the requirements of the organic budget law.

D. Enhance control over the use of public resources by: (i) clarifying the roles and responsibilities of the audit and oversight institutions; and (ii) developing and implementing a capacity-building program for each of these institutions.

E. Provide technical assistance to: (i) support the design of sector strategies and medium term budget framework for selected ministries; and (ii) strengthen debt management capacity and public investment management capacity.

All through the provision of consultant services, goods, and Training.

Part II: Integrated Financial Management Information System (IFMIS)

Improve effectiveness and efficiency of the Recipient’s budget management by: (a) establishing ICT advisory and strategic expertise; (b) assessing the existing ICT environment; (c) developing a comprehensive ICT multiyear strategy and implementation plan; (d) supporting such ICT multiyear strategy’s implementation and extension to selected additional institutions; (e) enhancing...
the capacity of the ICT unit; (f) upgrading the IFMIS in accordance with the CEMAC Directives, and (g) enhancing the internal and external network of the public expenditure management system; all through the provision of technical assistance, equipment and Training.

Part III: Coordination, Monitoring and Evaluation of PAMFIP

Provide support to MoF's managerial and leadership capacity to implement PAMFIP by: (a) strengthening the PAMFIP Steering Committee and Technical Secretariat; (b) preparing a public expenditure and financial assessment; (c) developing an operational M&E system for public financial management; and (d) developing and implementing: (i) a communication plan; and (ii) a Training program.
SCHEDULE 2
Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

(a) The Recipient shall maintain the PAMFIP Steering Committee throughout the implementation of the Project, which shall operate in accordance with the terms of the PAMFIP Decree.

(b) The Recipient shall maintain, throughout Project implementation, the Technical Secretariat to the PAMFIP Steering Committee with composition, functions and resources satisfactory to the Association. The Technical Secretariat will be located within MoF, and oversee the reform process, and assist in planning and budgeting of activities. The Technical Secretariat shall: (i) ensure day-to-day operational coordination of activities of the Project and PAMFIP; and (ii) be responsible for financial management, procurement and the M&E activities of the Project and PAMFIP. The Technical Secretariat shall operate in accordance with the terms of the PAMFIP Decree.

(c) The Recipient shall ensure that each General Directorate prepare and implement its annual work program for PAMFIP, including the activities of the Project, in collaboration with the Technical Secretariat.

(d) Except as the Association shall otherwise agree, the Recipient shall not amend, suspend or waive any provision of PAMFIP or PAMFIP Decree without the prior written consent of the Association.

B. Anti-Corruption

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

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. 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 indicators acceptable to the Association. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than 45 days after the end of the period covered by such report.
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. The Recipient shall prepare and furnish to the Association as part of the Project Report not later than 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 months after the end of such period.

Section III. Procurement

A. General

1. Goods. All goods 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

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

2. Other Methods of Procurement of Goods. The following table specifies the methods of procurement, other than International Competitive Bidding, which
may be used for goods. 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>
<tr>
<td>(d) Procurement from the United Nations Office for Project Services (UNOPS)</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 (LCS)</td>
</tr>
<tr>
<td>(b) Selection Based on Consultant Qualifications (CQS)</td>
</tr>
<tr>
<td>(c) Quality Based Selection (QBS)</td>
</tr>
<tr>
<td>(d) Selection Under a Fixed Budget (FBS)</td>
</tr>
<tr>
<td>(e) Individual Consultant (IC)</td>
</tr>
<tr>
<td>(f) Single Source Selection (SSS)</td>
</tr>
</tbody>
</table>

D. Review by the Association of Procurement Decision

The Procurement Plan shall set forth those contracts which shall be subject to the Association’s Prior Review. All other contracts shall be subject to Post Review by the Association.

E. Transitional Provisions in respect of Procurement

1. Notwithstanding the terms and conditions of the Original Financing Agreement and to the extent that the procurement of any goods or consultants’ services to be
financed, at least in part, out of the proceeds of the Original Grant was or will be initiated on or after March 31, 2014, the Recipient acknowledges and agrees that the provisions of this Agreement set forth or referred to in: (a) Section I.B (Anti-Corruption) of this Schedule 2 (including the related provisions under the General Conditions) shall apply to the proceeds of the Original Grant utilized to finance such goods or consultants' services, and (b) Section III (Procurement) of this Schedule (including the related provisions under the General Conditions) shall apply to the procurement of such goods or consultants' services.

2. Notwithstanding the provisions of Section I.B (Anti-Corruption) and Section III (Procurement) of this Schedule 2: (i) to the extent that the procurement of any goods or consultants’ services to be financed out of the proceeds of the Original Grant was initiated prior to March 31, 2014; and (ii) there are no proceeds remaining under the Original Grant to finance such goods or consultants’ service; then, on an exceptional basis only and subject to the Association’s prior no-objection, Section I.B of this Schedule 2 shall not apply to the proceeds of the Financing utilized to finance such goods or consultants’ services, and Section III of this Schedule shall not apply to the procurement of such goods or consultants’ services; provided, however, that the provisions of Section I.B (Anti-Corruption) and Section III (Procurement) of Schedule 2 to the Original Financing Agreement shall apply, respectively to the proceeds of the Financing utilized to finance such goods or consultants’ services and to the procurement of such goods and consultants’ services.

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
### Amount of the Percentage of Initial Additional Grant Expenditures to be Financed (expressed in SDR)

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Initial Grant Allocated (expressed in SDR)</th>
<th>Amount of the Additional Grant Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (including Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods for the Project</td>
<td>401,000</td>
<td>0</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Consultants’ services</td>
<td>1,715,000</td>
<td>0</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Training</td>
<td>181,000</td>
<td>0</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Operating Costs</td>
<td>763,000</td>
<td>0</td>
<td>100%</td>
</tr>
<tr>
<td>(5) Refund of Project Preparation Advance</td>
<td>234,000</td>
<td>0</td>
<td>Amount payable pursuant to Section 2.07 of the General Conditions</td>
</tr>
<tr>
<td>(6) Unallocated</td>
<td>0</td>
<td>0</td>
<td>100%</td>
</tr>
<tr>
<td>(7) Goods, Training and consultant services under Component 1, 2, and 3, excluding Operating Costs</td>
<td>3,406,000</td>
<td>0</td>
<td>100%</td>
</tr>
<tr>
<td>(8) Goods, Training, Operating Costs and consultant services and non-consulting services under the Project</td>
<td>0</td>
<td>6,600,000</td>
<td>100%</td>
</tr>
</tbody>
</table>

**TOTAL AMOUNT**

|                                                           | 6,700,000  | 6,600,000  |

---

**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 December 31, 2016.
Section V. Other Undertakings

A. The Recipient shall prepare and submit to the Association, no later than November 15 of each year, the annual work program for PAMFIP, including the activities of the Project, which shall be satisfactory to the Association.

B. The Recipient shall: (i) prepare and submit to the Association and the Steering Committee for their information and approval, respectively, no later than September 30 of each year, the annual work program for PAMFIP that will not be financed by donors; (ii) budget such annual amount not financed by the donors in its draft annual Budget; and (iii) ensure the availability of such annual budgeted amount for the APMFIP activities.

C. The Recipient shall employ, and thereafter maintain at all times during Project implementation, an internal auditor with qualifications, experience and terms of reference acceptable to the Association.
APPENDIX

Definitions


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

3. “Centre Informatique” means the division of MoF in charge of the implementation and maintenance of the integrated financial management information system of MoF.

4. “CEMAC Directives” means the new set of common PFM and budget legal framework that members of the Communauté Économique et Monétaire de l’Afrique Centrale (CEMAC) have prepared and shall adopt and implement in their respective countries, as may be amended from time to time.


7. “General Directorates” means the Recipient’s general directorate of budget, general directorate of treasury and public accounting, general directorate of payment order, finance controller, human resources management directorate of MoF, INSEED, Centre Informatique of MoF, General Directorate of economy and planning and IGF.

8. “ICT” means information and communication technology.

9. “IGF” means the Inspection Générale des Finances, the internal auditor of MoF.

10. “INSEED” means Institut National des Statistiques et des Études Économiques, the Recipient’s National Statistic’s Office.

11. “M&E” means monitoring and evaluation.

12. “MoF” means the ministry of the Recipient responsible for finance.

13. “Operating Costs” means the incremental operating expenses, approved by the Association, on account of the Project, including office supplies, short message
service fees, mobile transfer fees, travel and supervision costs, per diem, but excluding the salaries of officials and public servants of the Recipient's civil service.

14. “PAMFIP” means the Recipient’s action plan for modernization of public financial management, as approved by the Recipient’s high level inter-ministerial Committee on July 26, 2005, as the same may be amended from time to time in accordance with Section I.A.(d) of Schedule 2 to this Agreement.

15. “PAMFIP Decree” means the Decree No. 784 PR/PM/MF/06 - portant creation, organisation et attributions des organes chargés de la mise en œuvre du PAMFIP, dated August 23, 2006, as the same may be updated from time to time in accordance with Section I.A.(d) of Schedule 2 to this Agreement.

16. “PAMFIP Steering Committee” means the steering committee established by the PAMFIP Decree to facilitate implementation of PAMFIP.

17. “PFM” means public financial management.


19. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated April 2, 2014, and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

20. “Project Implementation Manual” and “PIM” each means the manual referred to in Section 4.01(a) of this Agreement, containing, inter alia; monitoring and performance indicators, procurement guidelines, bidding procedures, administrative, financial and accounting procedures and other relevant arrangements for carrying out the Project, as the same may be amended from time to time with the approval of the Association, and such term includes any schedules and attachments supplemental to the Project Implementation Manual.

21. “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 Q4930 signed on behalf of the Association on August 31, 2005 and on behalf of the Recipient on September 12, 2005.

22. “Technical Secretariat” means the technical secretariat set up by the PAMFIP Decree, within the MoF to facilitate implementation of PAMFIP.

23. “Training” means the training of persons involved in Project-supported activities, such term including seminars, workshops, and study tours, and costs associated
with such activity include travel and subsistence costs for training participants, costs associated with securing the services of trainers, rental of training facilities, preparation and reproduction of training materials, and other costs directly related to training preparation and implementation.