CONFORMED COPY

GRANT NUMBER H257-CA

Financing Agreement

(Reengagement and Institution Building Support Grant)

between

CENTRAL AFRICAN REPUBLIC

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated November 28, 2006
FINANCING AGREEMENT

Agreement dated November 28, 2006, 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.

WHEREAS, the Recipient has cleared its arrears to the Association; and

WHEREAS, the Recipient and the Association have agreed to resume the Association’s activities in favor of the Recipient;

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 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 fifty five million four hundred thousand Special Drawing Rights (SDR 55,400,000) (the "Grant");

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 December 15 and June 15 in each year.
2.05. The Payment Currency is 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

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 Economy, Planning and International Cooperation
Ministry of Economy, Planning 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) or 1-202-477-6391
Washington, D.C. 64145(MCI)
AGREED in the District of Columbia, United States of America, as of the day and year first above written.

CENTRAL AFRICAN REPUBLIC

By: /s/ Sylvain Maliko
    Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: /s/ Ali M. Khadr
    Authorized Representative
SCHEDULE 1

Program Actions; Availability of Financing Proceeds

Section I. Actions Taken Under the Program

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

(i) The Recipient has adopted and published a transitional results-based policy framework satisfactory to the Association.

(ii) The Recipient has adopted a 2007 macroeconomic framework satisfactory to the Association, in particular with respect to budget financing assurances.

(iii) The Recipient has opened attendance to the Treasury Committee to the donor-funded technical advisers to the Recipient’s Minister in charge of finance.

(iv) The Recipient has introduced a request for the Court of Accounts (Cour des Comptes) to have an audit of the government accounts and Treasury operations for fiscal year 2006 performed by an independent audit firm. The Court of Accounts shall select the audit firm on the basis of terms of reference satisfactory to the Association and the mission of the auditors shall start no later than March 31, 2007.

(v) The Recipient has published a report deemed sufficiently transparent by the Association on the use of cash advances (caisses et régies d’avance) for the period January-September 2006 so as to establish a baseline, and proposing an action plan to strengthen monitoring of funds.

(vi) The Recipient has provided for: (a) the mandatory provision by all beneficiaries of cash advances of documentary evidence justifying the use of these public funds prior to being eligible for new cash advances, and for: (b) the mandatory repayment of all cash advances not properly justified (including through retention from salary).

(vii) The Recipient has integrated revenues retained by, and advances to, all ministries, departments and agencies, as well as all other public revenue or cost items, into the State public accounts.

(viii) The Recipient has launched an audit of the one-stop-shop customs office in Douala.

(ix) The Recipient has merged the payroll database and the personnel records database and has deleted from the unified database all ghost public servants identified.

(x) The Recipient has created a financial core team in the judiciary.
(xi) The Recipient has invited the holders of telecommunication licenses to clear their arrears in order to avoid suspension of their licenses at the expiration of the cure period.

(xii) The Recipient has established a panel of international experts with authority to give written and motivated consultative opinions (on the basis of terms of reference prepared by the Recipient’s Inter ministry Committee and satisfactory to the Association) to the Recipient’s Inter ministry Committee and the Council of Ministers prior to their review of any draft agreement in the mining and energy sectors. These motivated advisory opinions will be made available to the Association for information on a strictly confidential basis.

(xiii) The Recipient has provided for the mandatory publication on the website: http://www.finances-rcagouv.com/ of: (i) the summary of all mining agreements including the key terms and conditions (such as, inter alia, the tax and financial provisions, the term of the agreement, the amount of the mining bonuses and equity transferred); and (ii) the evidence and justifications of the allocation of the mining bonuses and equity shares on the accounts of the Recipient and the description of the use of such funds.

(xiv) The Recipient has effectively published on the website: http://www.finances-rcagouv.com/: (i) the summary of the mining agreements already signed as of the date of this Agreement, including the key terms and conditions (such as, inter alia, the tax and financial provisions, the term of the agreement, the amount of the mining bonuses and equity transferred); and (ii) the evidence and justifications of the allocation of the mining bonuses and equity shares on the accounts of the Recipient and the description of the use of such funds.

(xv) The Recipient has informed the Association of its intention to adhere to the Extractive Industries Transparency Initiative (EITI).

(xvi) The Recipient has prohibited any special forest harvesting permits.

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:
Allocations

<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></td>
</tr>
<tr>
<td>Part (A)</td>
<td>43,873,428</td>
</tr>
<tr>
<td>Part (B)</td>
<td>6,926,572</td>
</tr>
<tr>
<td>Part (C)</td>
<td>4,600,000</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>55,400,000</td>
</tr>
</tbody>
</table>

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

1. The Recipient shall open, prior to furnishing to the Association the first request for withdrawal from the Financing Account, and thereafter maintain the following two deposit accounts (“Deposit Accounts”) designated by the Recipient and acceptable to the Association:

   (a) a deposit account in Euro (“Deposit Account B”) for the withdrawal of the funds of Part B of the Grant; and

   (b) a deposit account in CFA Francs (“Deposit Account C”) for the withdrawal of the funds of Part C of the Grant

2. the Recipient shall ensure that upon each deposit of an amount of the Financing into either of Deposit Accounts, 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 both Deposit Accounts 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 Deposit Accounts 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.

G. **Closing Date.** The Closing Date is November 30, 2007.
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 Financing, 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) under a contract 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 during the procurement or execution of such contract, without the Recipient (or other such recipient) having taken timely and appropriate action satisfactory to the Association to remedy the situation.

2. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 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 November 2, 2006 from the Recipient to the Association (Letter of Development Policy) 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.

5. “Deposit Accounts” means collectively the Deposit Account B and the Deposit Account C referred to in Schedule 1 to this Agreement, Section II, Paragraph (C) (1) (a) and (b) respectively.

Section II. Modifications to the General Conditions

The modifications to the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 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”.