
Grant NUMBER -D9900.

Financing Agreement

**(INVESTMENT AND BUSINESS COMPETITIVENESS FOR EMPLOYMENT
PROJECT)**

between

CENTRAL AFRICAN REPUBLIC

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

GRANT NUMBER D9900

FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between CENTRAL AFRICAN REPUBLIC ("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) apply to and form 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 a grant, which is deemed as Concessional Financing for purposes of the General Conditions, in an amount equivalent to twenty one million and six hundred thousand Special Drawing Rights (SDR 21.600.000) ("Financing", 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 III of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance.
- 2.04. The Payment Dates are 15 April and 15 October in each year.
- 2.05. The Payment Currency is Euro.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall carry out the Project in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Event of Suspension consist of the following that Any action has been taken for the dissolution, disestablishment or suspension of operation

(including cancellation of license to operate as a Financial Institution) of the PCG Fund.

- 4.02. The Additional Event of Acceleration consist of that the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of thirty (30) days after notice of the event has been given by the Association to the Recipient.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Condition of Effectiveness consist of the following:
- (a) The Recipient has established the PIU with composition and mandate acceptable to the Association in accordance with Section I.A.3 of Schedule 2 to this Agreement.
 - (b) the Recipient has hired and appointed on the basis of terms of reference, qualifications, integrity and experience acceptable to the Association a Project Coordinator, a procurement specialist, financial management specialist, and an environmental and social specialist.
 - (c) The Recipient has prepared, adopted, and submitted to the Association, the Project Implementation Manual in accordance with Section I.B.1 (a) in form and substance satisfactory to the Association.
 - (d) The LMP, GBV/SEA/SH Action Plans each in form and substance acceptable to the Association, shall have been duly adopted by the Recipient in accordance with the ESCP.
- 5.02. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.
- 5.03. For purposes of Section 10.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the Signature Date.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Recipient's Representative is its Minister responsible for economy, planning and cooperation International.
- 6.02. For purposes of Section 11.01 of the General Conditions: (a) the Recipient's address is:

Ministry of Economy, Planning, and International Coopération
P. O. Box 696
Rue Martin Luther King
Bangui

République Centrafricaine; et

(b) the Recipient's Electronic Address:

E-mail:

cabinet@mepc-rca.org

- 6.03. For purposes of Section 11.01 of the General Conditions: (a) The Association's address is:

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

(b) the Association's Electronic Address is:

Telex:

Facsimile:

248423 (MCI)

1-202-477-6391

AGREED as of the Signature Date.

CENTRAL AFRICAN REPUBLIC

By


Authorized Representative

Name: Felix Moloya
Title: Minister of State
Date: May 19th, 2022

INTERNATIONAL DEVELOPMENT ASSOCIATION

By


Authorized Representative

Name: Houa Fracters
Title: Country Manager
Date: May 19, 2022



SCHEDULE 1

Project Description

The objective of the Project is to implement reforms to enable investment, improve access to credit, and support targeted SMEs and young workers.

The Project consists of the following parts:

Part 1: Investment Reforms and Facilitation

Part 1.1: Identify and Implement Reforms

Providing support to implement priority reforms to improve the Recipient's investment climate through:

- (a) Providing technical assistance, capacity building and Training to identify best practice, develop reform action plans, improve policies, regulations, and support selected ministries, public institutions, and organizations mandated to enable private sector development including *inter alia* ministry in charge of commerce and industry, the CMCAA, the ministry in charge of SMEs and private Sector Development.
- (b) Carrying out reforms committed by the selected agencies including *inter alia*: (i) mapping and recommendation on the organizational structure of investment-related institutions; (ii) developing investment policy and targeted investment promotion strategy; (iii) carrying out studies and transaction advisory to support the PPP Unit and PPP delivery; (iv) adopting implementing regulations and decrees for the Investment Code, commercial laws and laws on SMEs; (v) carrying out reforms of sectoral regulations for the agriculture, construction, and ICT sectors, (vi) carrying out public-private dialogue consultation; and (vii) maintaining, updating, and making available the Practical Guide of Business Regulations.

Part 2: Access to Credit

Providing support to establish and operationalize a partial credit guarantee fund (PCG Fund) in line with the Principles for Public Credit Guarantee Schemes through:

Part 2.1: Set up the Partial Credit Guarantee Mechanism

- (a) Providing technical assistance to develop and design the PCG in compliance with global good practices including *inter alia*: (i) analysis of effective capitalization requirements and financial modeling; (ii) development of a business plan (iii) HR business plan; (iv) infrastructure plan (which will improve the climate friendliness

of the operations; (v) organizational matrix plan (with particular focus on corporate governance, internal controls and risk management systems); and (vi) operation manuals; and financial, supervisory and M&E reporting systems.

- (b) Operationalizing the PCG including *inter alia* acquiring (i) equipment, and (ii) IT systems, and (iii) recruitment of key staff.
- (c) Providing capacity building for PCG and participating financial institutions (PFIs) on corporate governance, internal controls, audit, compliance, risk management, IT, financial management and reporting.

Part 2.2: Initial Capitalization

Supporting the capitalization of the PCG Fund and operationalization of the PCG Fund by providing partial credit guarantees to selected PFIs in respect of credits that said PFIs extend to Selected MSMEs

Part 3: Supporting Business and Workers

Providing support to both the demand and supply side for promoting private sector employment through:

Part 3.1: Build Linkages and Support Firms

- (a) Providing technical assistance to MSMEs to increase their knowledge of standards and quality of output including *inter alia* building and publishing information platforms, firm production diagnostics, procurement training.
- (b) Developing and operationalizing a database and subscription service to share information on tenders and procurements.
- (c) Providing Training and technical assistance to high-potential firms including *inter alia* SMEs and larger firms such as GICA members, local entrepreneurs, and investors with potential for growth and job creation on management, accounting, marketing, operations, finance, business planning and digital skills, business and operational processes, standards, certifications, SPS, import/export requirements, quality and specialized legal and consulting services.
- (d) Carrying out outreach activities and events to improve the performance and competitiveness of selected firms, aligned with the outcomes sought by the Project.
- (e) Developing a directory of businesses that maps firms by sector and goods and services provided.
- (f) Ensure capacity building of CAPMEA and the Ministry in charge of SME and private sector development and the Ministry in charge of Commerce.

Part 3.2: Building Skills for Employment

Part 3.2.1: Providing market-relevant skills training to out-of-school youth and supporting the transition of these youth to gainful employment through economic inclusion programs through:

- (a) Carrying out apprenticeships training and certification for selected out-of-school Youth Beneficiaries to acquire basic professional skills in a specific trade or craft through classroom learning and on-the-job training in selected MSMEs.
- (b) Supporting the operationalization of training centers.
- (c) Acquiring learning materials, toolkits.
- (d) Payment of Stipends to Eligible Beneficiaries participating in apprenticeships activities.
- (e) Providing support to local business/workshops training Youth beneficiaries including *inter alia* (i) tools, (ii) raw materials; and (iii) technical assistance on business development.
- (f) Carrying out communication and sensitization among youth and local business to raise awareness about the project's activities.
- (g) Providing post-training economic inclusion services including *inter alia*: (i) Cash Grants to Grant Beneficiaries to support engagement into viable micro-businesses; (ii) financial incentives to companies to convert the apprentice positions under Part 3.2.1 (a) into permanent job as further detailed in the PIM; and (iv) carrying out training on job search to assist trained apprentices to find wage-employment.

Part 3.2.2: Capacity building of public agencies responsible for the TVET sector and of Professional Associations:

- (a) Strengthening planning and coordination, capacity of the Ministry in charge of education (MOE) in the delivery of skills training programs.
- (b) Strengthening the monitoring and evaluation capacity of the MOE through the development of a management information system (MIS).
- (c) Supporting the mobilization and capacity building of selected professional associations in the informal sector to define competencies, validate skills, and identify skill and technology gaps among their members.

- (d) Developing a skills development strategy based on a series of analytical work on skill supply and demand.
- (e) Establishing good baseline data on the provision of TVET, dissemination of baseline information, and dialogue with stakeholders.
- (f) Supporting the elaboration of curricula, dual training programs for selected trades, and a development certification system.

Part 4: Citizen Engagement, Implementation Support and Monitoring and Evaluation

- (a) Providing support to the Recipient for activities related to the management of the Project including *inter alia*: (i) staffing of essential project implementation staff for the PIU, including dedicated financial management, procurement, and environmental and social safeguards specialists; (ii) ongoing technical assistance for technical and project management support, including for procurement and staffing with external consultants; (iii) equipment to support project supervision; (iv) development and implementation of a communications strategy to support project implementation; (v) development and implementation of a comprehensive monitoring and evaluation plan for all project components, including integration with project Grievance Redress Mechanism (GRM); (vi) acquisition of needed financial capacity and systems, including accounting tools and auditors; and (vii) preparation of the Contingent Emergency Response Component Manual and Emergency Action Plan.
- (b) Providing support to carry outreach activities including *inter alia*: (i) the development and implementation of a comprehensive GRM to collect and respond to issues encountered by beneficiaries, system users, other system stakeholders, as well as the general population, including links between the GRM and M&E systems in order to improve project monitoring data; (ii) the development of a comprehensive citizen engagement strategy and national consultation mechanism to ensure that all relevant stakeholders, including beneficiaries and vulnerable population groups, are consulted about the project design and implementation on at least an annual basis and the feedback from those consultations is fed back into the implementation plan and design of project-financed citizen-centric services; (iii) research to inform the design and implementation of project-financed services; and (iv) implementation of the project Stakeholder Engagement Plan (SEP).

Part 5: Contingent Emergency Response

Provision of immediate response to an Eligible Crisis or Emergency, as needed.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. Project Steering Committee (CPP)

The Recipient shall establish by no later than one (1) month after the Effective Date, and thereafter maintain at all times during the implementation of the Project, a Project Steering Committee, chaired by the Minister in charge of SMEs and Private Sector Development and the membership of relevant ministries including *inter alia* the ministry in charge of finance, economy, national education, labor, employment, social protection and vocational training, commerce, industry, and with terms of reference, composition, powers, functions, staffing, facilities and other resources satisfactory to the Association, to be responsible for *inter alia*, overseeing overall Project performance, approving Annual Work Plans and Budgets, providing strategic oversight and guidance.

2. Project Technical Committee (PTC)

The Recipient shall establish by no later than one (1) months after the Effective Date, and thereafter maintain at all times during the implementation of the Project, a Project Technical Committee chaired by the PIU's local coordinator and the membership of focal points from key ministries and representative of partner organizations including *inter alia* private sector, financial sector and CAPMEA, ACFPE, and with terms of reference, composition, powers, functions, staffing, facilities and other resources satisfactory to the Association, to be responsible for providing technical support to the Project Steering Committee.

3. PIU

(a) The Recipient shall establish, and thereafter maintain at all times during the implementation of the Project, Project Implementation Unit ("PIU") within the Ministry in charge of SMEs and Private Sector Development, with terms of reference, composition, powers, functions, staffing, facilities and other resources satisfactory to the Association, to be responsible for the day to day implementation of the Project, including *inter alia*, environmental and social safeguards management, financial management, procurement, monitoring and evaluation, and reporting.

- (b) Without limiting the foregoing, the PIU shall include, *inter alia*, a Project Coordinator, a financial management specialist, a procurement specialist, a monitoring and evaluation specialist, an environmental specialist, a social specialist, a GBV/SH specialist, communication specialist, an accountants, and an internal auditor, technical component leads; and all with qualifications, experience, integrity and terms of reference acceptable to the Association.
- (c) Without limiting the foregoing, the Recipient shall maintain the AGIR PIU with composition, terms of reference and resources acceptable to the Association, with its mandate extended, to include the responsibilities of the PIU for the Project as set forth in paragraph (a) above, until such time as the PIU has been established, whereupon the PIU shall assume the said responsibilities from the AGIR PIU, all in a manner acceptable to the Association.

4. PCG Fund

The Recipient shall ensure that the PCG Fund is maintained, throughout Project implementation, with a structure, functions, responsibilities, and staffing acceptable to the Association, and in accordance with the Financial Sector Laws.

5. PCG Fund Manager

The Recipient shall select and appoint an independent PCG Fund Manager, with qualifications and experience and with terms of reference satisfactory to the Association, and in accordance with the Procurement Regulations.

B. Implementation Covenants

1. Project Implementation Manual

- (a) The Recipient, shall adopt and thereafter maintain the Project Implementation Manual (PIM), containing detailed guidelines and procedures for the implementation of the Project, including with respect to: (i) administration and coordination, including monitoring and evaluation, environmental and social, and procurement procedures; (ii) corruption and fraud mitigation measures, (iii) a grievance redress mechanism; (iv) roles and responsibilities for Project implementation; (v) detailed guidelines and procedures for monitoring and evaluation matters under the Project. (vi) financial management, disbursement, and other fiduciary matters; and (vi) such other arrangements and procedures as shall be required for the effective implementation of the Project, in form and substance acceptable to the Association.

- (b) For the purposes of implementing Part 3.2.1. (g) (i) and Part 3.2.1 (g) (ii) of the Project, the Recipient shall prepare and adopt a Grant and Incentive Operating Manual in form and substance acceptable to the Association, including, *inter alia*, an elaboration of the eligibility criteria, terms and conditions, and procedures for preparation, approval and monitoring and evaluation, of Grants provided to Grant Beneficiaries and financial incentives granted to Financial Incentive Beneficiaries.
- (c) For the purposes of implementing Part 2 of the Project, the Recipient shall, cause PCG Fund to maintain, in accordance with terms of reference acceptable to the Association, a PCG Fund Operating Manual, containing detailed arrangements and procedures for the PCG Fund, including, *inter alia*: (i) corporate governance; (ii) eligibility criteria for the selection of MSMEs and their PFIs that can benefit from the partial credit guarantee; (iii) criteria for guaranteeing eligible credits and investments; (iv) template of the framework agreement with PFIs; (v) investment policy of the PCG Fund; (vi) environmental and social screening, evaluation and supervision procedures and guidelines, including excluded activities set out in the Negative List; and (vii) monitoring and evaluation arrangements.
- (d) The Recipient, shall ensure that the Project Implementation Manual, the Project Procedures Manual, the Grant and Incentive Operating Manual, the PCG Fund Operating Manual (Project Manuals) are not amended, suspended, repealed or abrogated without the prior written approval of the Association.
- (e) In the event of any conflict between the provisions of the Project Manuals and this Agreement, the provisions of this Agreement shall prevail.

2. Annual Work Plans and Budget

For purposes of implementation of the Project, the Recipient shall:

- (a) prepare a draft annual work plan and budget for each year of Project implementation, setting forth, *inter alia*: (i) a detailed description of the planned activities, including any proposed conferences and Training, under the Project for the following year; (ii) the sources and proposed use of funds therefor; (iii) procurement and environmental and social safeguards arrangements therefor, as applicable and; (iv) responsibility for the execution of said Project activities, budgets, start and completion dates, outputs and monitoring indicators to track progress of each activity;

- (b) not later than November 30 of each year, furnish the draft annual work plan and budget for the following year to the Association for its review, and promptly thereafter finalize the draft annual work plan and budget, taking into account the Association's comments thereon; provided, that for the first year of Project implementation, the Recipient shall furnish the draft annual work plan and budget by no later than one (1) month after the Effective Date; and
- (c) thereafter adopt and carry out such draft annual work plan and budget for the relevant year as shall have been agreed with the Association ("Annual Work Plan and Budget"), as such plan may be subsequently revised during such year with the prior written agreement of the Association.

C. PCG Fund Subsidiary Agreement

1. Upon the establishment of the PCG Fund, and in order to facilitate the carrying out of Part 2 of the Project, the Recipient shall make the proceeds of the Financing allocated to Categories (3), and (4) ("PCG Fund Subsidiary Financing") available to the PCG Fund under a subsidiary agreement ("PCG Fund Subsidiary Agreement") to be entered into between the Recipient and the PCG Fund, under terms and conditions approved by the Association, which shall include the following:
 - (a) the PCG Fund shall not be required to repay the proceeds of the PCG Fund Subsidiary Financing received from the Recipient;
 - (b) the obligation of the PCG Fund to use the proceeds of the PCG Fund Subsidiary Financing for purposes of providing partial credit guarantees to cover credits extended by eligible PFIs to eligible MSMEs to finance eligible activities to be carried out by said MSMEs. To that end, the PCG Fund shall appraise and select PFIs in accordance with the procedure and criteria in the PCG Fund Operating Manual and PIM and enter into a framework agreement with the selected PFI, under terms and conditions satisfactory to the Association and as further set out in the PCG Fund Operating Manual and which include: (i) the obligation of the Eligible PFI to comply with the pertinent provisions of the PIM, the PCG Fund Operating Manual, and the Anti-Corruption Guidelines applicable to recipients of Financing proceeds other than the Recipient; (ii) the obligation of the Eligible PFI to: (A) establish or update, as appropriate, a PFI ESMS before the selection of any Sub-project for a Partial Credit Guarantee, in accordance with the Environmental and Social Standards, the ESCP and the ESMS; (B) maintain and apply the PFI ESMS to each Sub-project; (C) require the Eligible MSME to identify, assess, manage and monitor the environmental and social risks and impacts of the relevant Sub-project, as set forth in the PFI ESMS; (D) ensure that no Excluded

Activities are included in any Subproject; and (E) comply with all other relevant material measures and action set out in the ESCPs, as applicable, in accordance with the Environmental and Social Standards; and (iii) the right of the PCG Fund to terminate the right of the Eligible PFI to use the proceeds of the Partial Credit Guarantee, or obtain a refund of all or any part of the amount of the Partial Credit Guarantee received, upon the Eligible PFI failure to perform any of its obligations under the framework agreement, and/or PIM/PCG Fund Operating Manual;

- (c) the obligation of the PCG Fund to carry out Part 2 of the Project with due diligence and efficiency, in conformity with appropriate administrative, economic, managerial, financial, environmental, social and technical standards and practices, and provide promptly as needed, the facilities, services and other resources required for Part 2 of the Project;
- (d) without limitation to the excluded expenditures provision set forth in the PCG Fund Operating Manual and/or the ESMF, the following activities shall not be eligible to be included in or funded under the Project (“Negative List”):
 - (i) production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCB’s, wildlife or products regulated under CITES;
 - (ii) production or trade in weapons and munitions;
 - (iii) production or trade in alcoholic beverages (excluding beer and wine);
 - (iv) production or trade in tobacco;
 - (v) gambling, casinos and equivalent enterprises;
 - (vi) production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where the Association considers the radioactive source to be trivial and/or adequately shielded;
 - (vii) production or trade in unbonded asbestos fibers or use of asbestos-containing materials. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%;

- (viii) drift net fishing in the marine environment using nets in excess of 2.5 km. in length;
 - (ix) production or activities involving harmful or exploitative forms of forced labor/harmful child labor;
 - (x) production or trade in wood or other forestry products other than from sustainably managed forests;
 - (xi) production or trade in wood or other forestry products other than from sustainably managed forests. Production and distribution of construction materials is eligible provided that wood/lumber production is legally sourced;
 - (xii) investments involving major construction and civil works that would cause significant adverse impact and require a full ESIA report according to the national ESIA regulation and in line with the Association's safeguard policies (i.e., category A), except in the cases in which an ESIA has already been approved by the competent authorities and an ESMP compliant with the Association's safeguard policies has been produced;
 - (xiii) investments that will require involuntary resettlement of people;
 - (xiv) investments that could destroy or damage physical cultural resources, i.e., resources of archaeological, paleontological, historical, architectural, religious (including graveyards and burial sites), aesthetic, or other cultural significance;
 - (xv) investments which involve transformation or degradation of critical natural habitats and could result in the loss of biodiversity, including any official natural protected areas such as national parks and other protected areas;
 - (xvi) investments which require the use of hazardous pesticides or do not comply with FAO Pesticide Guidelines on Storage, Labeling, and Disposal (Rome, 1985), or that do not follow recommendations and minimum standards as described in the United Nations Food and Agriculture Organization (FAO) International Code of Conduct on the Distribution and Use of Pesticides (Rome, 2003); and
 - (xvii) activities involving dams.
- (e) the obligation of the PCG Fund to: (i) exchange views with the Recipient, and the Association with regard to the progress of Part 2 of the

Project, and the performance of its obligations under the PCG Fund Subsidiary Agreement; and (ii) assist the Recipient in complying with its obligations referred to in Section II of this Schedule, as applicable to Part 2 of the Project;

- (f) the obligation of the PCG Fund to promptly inform the Recipient and the Association of any condition which interferes or threatens to interfere with the progress of Part 2 of the Project;
 - (g) the obligation of the PCG Fund to carry out Part 2 of the Project in accordance with the PCG Fund Operating Manual;
 - (h) the obligation of the PCG Fund to carry out Part 2 of the Project in compliance with the Anti-Corruption Guidelines;
 - (i) the obligation of the PCG Fund to: (i) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations, resources and expenditures related to Part 2 of the Project; and (ii) at the Association's or the Recipient's request, have such financial statements audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the statements as so audited to the Recipient and the Association; and
 - (j) the right of the Recipient to take remedial actions against the PCG Fund. in case the PCG Fund shall have failed to comply with any of its obligations under the PCG Fund Subsidiary Agreement, which actions may include, *inter alia*, the partial or total suspension and/or cancellation or refund of all or any part of the proceeds of the PCG Fund Subsidiary Financing transferred to the PCG Fund pursuant to the PCG Fund Subsidiary Agreement (as the case may be).
2. The Recipient shall exercise its rights under the PCG Fund Subsidiary Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the PCG Fund Subsidiary Agreement or any of its provisions.

D. Grant and Incentive Program

For the implementation of Part 3.2.1 (g) (i) and Part 3.2.1 (g) (ii) of the Project, the Recipient shall:

- (a) make available a portion of the proceeds under Category 5 to Grant Beneficiaries and Incentive Beneficiaries, on terms and conditions acceptable to the Association and further detailed in the Grant and Incentive Operating Manual;
- (b) ensure that prior to providing any Grant or Incentive, the Recipient and the respective selected Grant Beneficiary and Incentive Beneficiaries have entered into an agreement (“Grant Agreement/Incentive Agreement”) on terms and conditions acceptable to the Association, including, *inter alia*: (i) each Grant/Incentive shall be an amount acceptable to the Association as set forth in the Grant and Incentive Operating Manual, (ii) the Grant Agreement and Incentive Agreement’s expiry date shall be on or before the closing date of the present Agreement; (ii) the obligation of the Grant Beneficiary and Incentive Beneficiaries to comply with the pertinent provisions of the Grant and Incentive Operating Manual, social, environmental, and managerial standards and practices acceptable to the Association, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to other recipient of the Financing proceeds other than the Recipient; and (ii) the right of the Recipient to terminate the right of the Grant Beneficiary and Incentive Beneficiary to use the Grant or Incentive, upon the Grant Beneficiary’s failure to perform any of its obligations under the Grant Agreement, the Incentive Agreement and/or Grant and Incentive Operating Manual;
- (c) ensure that the proceeds of Grant and Incentive shall be used exclusively for eligible expenditures in accordance with the terms of this Agreement, the PLM, Grant Operating Manual, the Grant Agreement, and Incentive Agreement;
- (d) to refund to the Association any amount which will not be required to cover payments due under or in connection with the Grant Agreements and Incentive Agreement;
- (e) the Recipient shall exercise its rights and carry out its obligations under each Grant Agreement and Incentive Agreement in such a manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Agreement; and
- (f) except as the Association shall otherwise agree, the Recipient shall not assign, terminate, amend, abrogate, waive or fail to enforce any Grant Agreement and Incentive Agreement or any of its provisions.

E. Environmental and Social Standards.

1. The Recipient shall ensure that the Project is carried out in accordance with the Environmental and Social Standards, in a manner acceptable to the Association.
2. Without limitation upon paragraph 1 above, the Recipient shall ensure that the Project is implemented in accordance with the Environmental and Social Commitment Plan ("ESCP"), in a manner acceptable to the Association. To this end, the Recipient shall ensure that:
 - (a) the measures and actions specified in the ESCP are implemented with due diligence and efficiency, as provided in the ESCP;
 - (b) sufficient funds are available to cover the costs of implementing the ESCP;
 - (c) policies and procedures are maintained, and qualified and experienced staff in adequate numbers are retained to implement the ESCP, as provided in the ESCP; and
 - (d) the ESCP, or any provision thereof, is not amended, repealed, suspended or waived, except as the Association shall otherwise agree in writing, as specified in the ESCP, and ensure that the revised ESCP is disclosed promptly thereafter.
3. In case of any inconsistencies between the ESCP and the provisions of this Agreement, the provisions of this Agreement shall prevail.
4. The Recipient shall ensure that:
 - (a) all measures necessary are taken to collect, compile, and furnish to the Association through regular reports, with the frequency specified in the ESCP, and promptly in a separate report or reports, if so requested by the Association, information on the status of compliance with the ESCP and the environmental and social instruments referred to therein, all such reports in form and substance acceptable to the Association, setting out, *inter alia*: (i) the status of implementation of the ESCP; (ii) conditions, if any, which interfere or threaten to interfere with the implementation of the ESCP; and (iii) corrective and preventive measures taken or required to be taken to address such conditions; and
 - (b) the Association is promptly notified of any incident or accident related to or having an impact on the Project which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers, in accordance with the ESCP, the environmental and social instruments referenced therein and the Environmental and Social Standards.

5. The Recipient shall establish, publicize, maintain and operate an accessible grievance mechanism, to receive and facilitate resolution of concerns and grievances of Project-affected people, and take all measures necessary and appropriate to resolve, or facilitate the resolution of, such concerns and grievances, in a manner acceptable to the Association.

F. Contingent Emergency Response

1. In order to ensure the proper implementation of contingent emergency response activities under Part 5 of the Project ("Contingent Emergency Response Part"), the Recipient shall ensure that:
 - (a) a manual ("CERC Manual") is prepared and adopted in form and substance acceptable to the Association, which shall set forth detailed implementation arrangements for the Contingent Emergency Response Part, including: (i) any structures or institutional arrangements for coordinating and implementing the Contingent Emergency Response Part; (ii) specific activities which may be included in the Contingent Emergency Response Part, Eligible Expenditures required therefor ("Emergency Expenditures"), and any procedures for such inclusion; (iii) financial management arrangements for the Contingent Emergency Response Part; (iv) procurement methods and procedures for the Contingent Emergency Response Part; (v) documentation required for withdrawals of Financing amounts to finance Emergency Expenditures; (vi) a description of the environmental and social assessment and management arrangements for the Contingent Emergency Response Part; and (vii) a template Emergency Action Plan;
 - (b) the Emergency Action Plan is prepared and adopted in form and substance acceptable to the Association;
 - (c) the Emergency Response Part is carried out in accordance with the CERC Manual and the Emergency Action Plan; provided, however, that in the event of any inconsistency between the provisions of the CERC Manual or the Emergency Action Plan and this Agreement, the provisions of this Agreement shall prevail; and
 - (d) neither the CERC Manual or the Emergency Action Plan is amended, suspended, abrogated, repealed or waived without the prior written approval by the Association.
2. The Recipient shall ensure that the structures and arrangements referred to in the CERC Manual are maintained throughout the implementation of the Contingent Emergency Response Part, with adequate staff and resources satisfactory to the Association.

3. The Recipient shall ensure that:
 - (a) the environmental and social instruments required for the Contingent Emergency Response Part are prepared, disclosed and adopted in accordance with the CERC Manual and the ESCP, and in form and substance acceptable to the Association; and
 - (b) the Contingent Emergency Response Part is carried out in accordance with the environmental and social instruments in a manner acceptable to the Association.
4. Activities under the Contingency Emergency Response Part shall be undertaken only after an Eligible Crisis or Emergency has occurred.

Section II. Project Monitoring, Reporting and Evaluation

The Recipient shall furnish to the Association each Project Report not later than one month after the end of each calendar semester, covering the calendar semester.

Section III. Withdrawal of the Proceeds of the Financing

A. General

Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Recipient may withdraw the proceeds of the Financing to: (a) finance Eligible Expenditures; and (b) repay the Preparation Advance; in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

Category	Amount of the Grant Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, Operating Costs, PCG Fund Operating Costs, and consulting services for the Project excepts Part 2.2 and Part 3.2.1 (g) (i), and Part 3.2.1 (g) (ii) of the Project.	16,000,000	100%
(2) Refund of Preparation Advance	900,000	Amount payable pursuant to Section 2.07 (a) of the General Conditions
(3) First Capitalization of the PCG Fund under Part 2.2 of the Project	1,800,000	
(4) Second Capitalization of the PCG Fund under Part 2.2 of the Project	1,800,000	
(5) Grants and Incentive under Part 3.2.1 (g) (i) and Part 3.2.1 (g) (ii) of the Project	1,100,000	
(6) Emergency Expenditures under Part 5 of the Project		
TOTAL AMOUNT	21,600,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made:
 - (a) for payments made prior to the Signature Date
 - (b) under Category (3), until and unless the Association has received evidence satisfactory that the Recipient: (i) has established PCG in compliance with global good practices as defined in the project's operations manual, including *inter alia* corporate governance instruments and internal controls, in form and substance satisfactory to the Association; (ii) the PCG Fund Subsidiary agreement is executed, in form and substance satisfactory to the Association; (iii) prepared and adopted the PCG Fund Operating Manual in form and substance satisfactory to the Association; (iv) PCG has prepared and submitted a template Agreement with PFIs; and (v) PCG Fund has established and maintained a separate account for the Guarantee Account;
 - (c) under Category (4), until and unless the Association has received evidence satisfactory that the PCG Fund's outstanding credit guaranteed reaches 60% of the total maximum eligible credit amount to be guaranteed;
 - (d) under Category (5), until and unless the Association has received evidence satisfactory that the Recipient has: (i) prepared and adopted in form and substance satisfactory to the Association, the Grants and Incentives Operating Manual; and (ii) at least one Grant Agreement has been executed with a Grant Beneficiary in form and substance satisfactory to the Association ; and
 - (e) no withdrawal shall be made: for Emergency Expenditures under Category (6), unless and until all of the following conditions have been met in respect of said expenditures: (i) (A) the Recipient has determined that an Eligible Crisis or Emergency has occurred, and has furnished to the Association a request to withdraw Financing amounts under Category (6); and (B) the Association has agreed with such determination, accepted said request and notified the Recipient thereof; and (ii) the Recipient has adopted the CERC Manual and Emergency Action Plan, in form and substance acceptable to the Association.
2. The Closing Date is March 29, 2027.

APPENDIX

Section I. Definitions

1. "ACFPE" means *Agence Centrafricaine pour la formation professionnelle et l'emploi*, the Recipient's agency for vocational training and employment
2. "Anti-Corruption Guidelines" means, for purposes of paragraph 5 of the Appendix to the General Conditions, the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 and revised in January 2011 and as of July 1, 2016.
3. "AGIR PIU" means the unit established within the Recipient's ministry in charge of finance and budget pursuant to the Financing Agreement between the Recipient and the Association for the Public Expenditure and Investment Management Reform project, dated September 14, 2017 (Grant D2150-CF).
4. "Basis Adjustment to the Service Charge" means the Association's standard basis adjustment to the Service Charge for credits in the currency of denomination of the Credit, in effect at 12:01 a.m. Washington, D.C. time, on the date on which the Credit is approved by the Executive Directors of the Association, and expressed either as a positive or negative percentage per annum.
5. "CAPMEA" means *Centre d'Assistance aux Petites et Moyennes Entreprises et à l'Artisanal*, the Recipient's Assistance Center for Small and Medium Enterprises and Crafts
6. "Category" means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
7. "CERC Manual" means the manual referred to in Section F of Schedule 2 to this Agreement, as such manual may be updated from time to time with the agreement of the Association, and which is an integral part of the Operational Manual.
8. "CITES" means the Convention on International Trade in Endangered Species of Wild Fauna and Flora a multilateral treaty to protect endangered plants and animals, which entered into force on 1 July 1975.
9. "Contingent Emergency Response Part" means any activity or activities to be carried out under Part 5 of the Project to respond to an Eligible Crisis or Emergency.

10. “Environmental and Social Commitment Plan” or “ESCP” means the environmental and social commitment plan for the Project, dated February 24, 2022, as the same may be amended from time to time in accordance with the provisions thereof, which sets out the material measures and actions that the Recipient shall carry out or cause to be carried out to address the potential environmental and social risks and impacts of the Project, including the timeframes of the actions and measures, institutional, staffing, training, monitoring and reporting arrangements, and any environmental and social instruments to be prepared thereunder.
11. “Environmental and Social Standards” or “ESSs” means, collectively: (i) “Environmental and Social Standard 1: Assessment and Management of Environmental and Social Risks and Impacts”; (ii) “Environmental and Social Standard 2: Labor and Working Conditions”; (iii) “Environmental and Social Standard 3: Resource Efficiency and Pollution Prevention and Management”; (iv) “Environmental and Social Standard 4: Community Health and Safety”; (v) “Environmental and Social Standard 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement”; (vi) “Environmental and Social Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources”; (vii) “Environmental and Social Standard 7: Indigenous Peoples/Sub-Saharan Historically Underserved Traditional Local Communities”; (viii) “Environmental and Social Standard 8: Cultural Heritage”; (ix) “Environmental and Social Standard 9: Financial Intermediaries”; (x) “Environmental and Social Standard 10: Stakeholder Engagement and Information Disclosure”; effective on October 1, 2018, as published by the Association.
12. “Emergency Action Plan” means the plan referred to in Section F of Schedule 2, detailing the activities, budget, implementation plan, and monitoring and evaluation arrangements, to respond to the Eligible Crisis or Emergency.
13. “Eligible Crisis or Emergency” means an event that has caused, or is likely to imminently cause, a major adverse economic and/or social impact to the Recipient, associated with a natural or man-made crisis or disaster.
14. “Eligible PFI” means any financial institution incorporated, established, and operating in accordance with the Recipient’s laws and regulations, selected by the PIU following prior consultation with the Association, and which has met the criteria set forth in the PCG Fund Operational Manual to receive a Partial Credit Guarantee.
15. “Environmental and Social Impact Assessment” or “ESIA” means the Environmental and Social Impact Assessment prepared and adopted by the Recipient and/or eligible MSMEs under Part 2 of the Project, all satisfactory to the Association and setting out details of potential environmental and social risks,

including risks of gender-based violence and sexual exploitation and abuse, and adverse impacts associated with the activities under Parts 2 of the Project, as the case may be, together with an environmental and social management plan defining measures to manage such risks and impacts, including measures that endeavor to prevent and respond to gender-based violence and sexual exploitation and abuse, procedural, budget and institutional arrangements and actions needed to implement these measures and including any schedules to such assessment, and as such assessment may be amended from time to time, with the prior written approval of the Association; and “ESIAs” means, collectively and indistinctively, all such ESIAs.

16. “ESMP” means “Environmental and Social Management Plan”, each, any of the documents to prepared and adopted by the Recipient and/or eligible MSMEs under Part 2 of the Project all satisfactory to the Association, and which details: (i) the measures to be taken during the implementation of Parts 2 and/or eligible MSMEs under Part 2 of the Project of the Project to avoid, minimize, mitigate or offset adverse environmental and social impacts (including health and safety issues), or to reduce them to acceptable levels; (ii) the measures that endeavor to prevent and respond to gender-based violence and sexual exploitation and abuse; and (iii) the procedural, budget and institutional arrangements and actions needed to implement these measures, including any schedules to such plan, and as such plan may be amended by the Recipient from time to time, with the prior written approval of the Association; and “ESMPs” means, collectively and indistinctively, all such ESMPs.
17. “Financial Incentives Beneficiaries” means businesses agreeing to take on apprentices in accordance with the Association’s terms and conditions as further detailed in the POM and the Grants and Incentives Operating Manual. These beneficiaries must satisfy the eligibility criteria set forth in the Grants and Incentives Operating Manual for recipients of Grants and to which a Grant has been (or is proposed to be provided).
18. “Financial Institution” means a financial institution legally established within the Recipient’s territory.
19. “First Capitalization of the PCG Fund” means the first contribution of the Association with the proceeds PCG Fund Subsidiary Financing to the PCG Fund account, for payments on partial credit guarantees issued by PCG Fund.
20. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Investment Project Financing”, dated December 14, 2018 (revised on August 1, 2020 and April 1, 2021, and January 1, 2022).

21. "Grant" means a grant under Part 3.2.1.(g) (i) of the Project, made by the Recipient out of the proceeds of the Financing to a Grant Beneficiary, in accordance with the provisions of Section I.D of Schedule 2 to this Agreement.
22. "Grant Agreement" means an agreement between the Recipient and a Grant Beneficiary, pursuant to which a Grant shall be made available to the Grant Beneficiary, on terms and conditions acceptable to the Association.
23. "Grant Beneficiary" means Apprentices selected to participate in Project-funded activities selected by the project to receive a Grant, or businesses taking on apprentices in each case that satisfies the eligibility criteria set forth in the Grants and Incentives Operating Manual for recipients of Grants and to which a Grant has been (or is proposed to be provided).
24. "Grant Operational Manual" means the manual referred to in Section I.D of Schedule 2 to this Agreement, as such manual may be amended by the Recipient from time to time with the prior written agreement of the Association.
25. "Incentive Agreement" means an agreement between the Recipient and an Incentive Beneficiary pursuant to which a financial incentive shall be made available to the Incentive Beneficiary, on terms and conditions acceptable to the Association as further detailed in the PIM and Grants and Incentives Operating Manual.
26. "Incentive Beneficiary" means a business, legally registered in the Recipient's territory, participating in the Project by hiring a selected apprentice, each case business satisfying the eligibility criteria set forth in the Grants and Incentives Operating Manual for recipients of Incentive.
27. "Labor Management Plan" or "LMP" means the labor management plan referred to in the ESCP.
28. "M&E" means monitoring and evaluation
29. "Negative List" means the lists of activities that cannot be funded or included under the Project, as set out in Section I.C.(d). of Schedule 2 to this Agreement, the PCG Fund Operational Manual and the ESCP.
30. "Operating Costs" means the reasonable incremental operating costs, based on Annual Work Plans and Budgets, incurred by the Recipient on account of Project implementation including: office equipment and supplies, maintenance of equipment, insurance costs, office administration costs, rental, consumables, accommodation, vehicle operation and maintenance costs, utilities, communication charges, *per diems*, travel allowances, and salaries of the Recipient's locally contracted staff, but excluding salaries, fees, honoraria,

bonuses, and any other salary supplements of members of the Recipient's civil service.

31. "PCG Fund" means the legal entity to be established and licensed pursuant to the Recipient's Financial Sector Laws for the purposes of providing credit guarantees to PFIs under Part 2 of the Project.
32. "PCG Fund Operating Costs" means the reasonable incremental operating costs, based on Annual Work Plans and Budgets, incurred by the PCG Fund on account of Project implementation including: office equipment, office administration, utilities, communication charges, and salaries of the PCG Fund's locally contracted staff affected to the implementation of the Project, but excluding salaries, fees, honoraria, bonuses, and any other salary supplements of members of the Recipient's civil service.
33. "PCG Fund Operational Manual" means the manual to be prepared by the PCG Fund and referred to in Section I.C. of Schedule 2 to this Agreement.
34. "PCG Fund Subsidiary Agreement" means the agreement to be entered into between the Recipient and the PCG Fund and referred to in Section I.C. of Schedule 2 to this Agreement.
35. "PCG Fund Subsidiary Financing" means the proceeds of the Financing to be provided to the PCG Fund for purposes of carrying out Part 2 of the Project, in accordance with the PCG Fund Subsidiary Agreement and the PCG Fund Operational Manual and referred to in Section I.C. of Schedule 2 to this Agreement.
36. "PFI ESMS" means a PFI's environmental and social management system, referred to in Section I.C. of Schedule 2 to this Agreement, for identifying, assessing, managing and monitoring the environmental and social risks and impacts at all times during the preparation and implementation of Sub-projects, in accordance with the Environmental and Social Standards, the ESCP and the ESMS.
37. "PPP Unit" means the Recipient's agency responsible for developing, delivering and supervising public-private investment projects established by Law n°19-007 June 24, 2019 concerning the legal framework for public-private partnerships in CAR. *Loi n°19-007 du 24 Juin 2019 portant cadre juridique de partenariat public-privé en République Centrafricaine.*
38. "Preparation Advance" means the advance referred to in Section 2.07 (a) of the General Conditions, granted by the Association to the Recipient pursuant to the letter agreement signed on behalf of the Association on January 20, 2022 and on behalf of the Recipient on January 20, 2022.

39. "Project Implementation Manual" and "PIM" mean the Project Implementation Manual dated, adopted by the Recipient in form and substance satisfactory to the Association, as such manual may be amended by the Recipient from time to time with the prior written agreement of the Association.
40. "Project Implementation Unit" and "PIU" mean the Recipient's implementation unit referred to in Section I.A.3 of Schedule 2 to this Agreement.
41. "Project Procedures Manual" means the Project procedures manual referred to in Section I.B.1.(b) of Schedule 2 of this Agreement, as such manual may be amended by the Recipient from time to time with the prior written agreement of the Association.
42. "Project Steering Committee" means the Recipient's steering committee referred to in Section I.A.1 of Schedule 2 to this Agreement.
43. "Project Technical Committee" or "PTC" means the Recipient's technical committee referred to in Section I.A.2 of Schedule 2 to this Agreement.
44. "Principles for Public Credit Guarantee Scheme" means a guidance document, acceptable to the Association, that sets out the principles for public credit guarantee schemes for MSMEs.
45. "Procurement Regulations" means, for purposes of paragraph 87 of the Appendix to the General Conditions, the "World Bank Procurement Regulations for IPF Borrowers", dated November 2020.
46. "Second Capitalization of the PCG Fund" means the second contribution of the Association with the proceeds of the PCG Fund Subsidiary Financing to the PCG Fund account, for payments on partial credit guarantees issued by PCG Fund.
47. "Selected MSME" means a micro, small or medium enterprise, established and operating under the laws of the Recipient, that meets the appropriate criteria as set forth in the PIM.
48. "Signature Date" means the later of the two dates on which the Recipient and the Association signed this Agreement and such definition applies to all references to "the date of the Financing Agreement" in the General Conditions.
49. "Sub-project" means any activity or investment for productive purposes which is listed in the PIM and meets the criteria set forth in said manual.
50. "Training" means the reasonable costs associated with training under the Project, based on the relevant Annual Work Plan and Budget, and attributable to study tours, training courses, seminars, workshops and other training activities, not included under service providers' contracts, including costs of training materials,

space and equipment rental, travel, accommodation and *per diem* costs of trainees and trainers, trainers' fees, and other training related miscellaneous costs.

51. "TVET means Technical Vocational Education and Training.