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CREDIT NUMBER 4950-LR

# Financing Agreement

(Road Asset Management Project)

between

REPUBLIC OF LIBERIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 13, 2011

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**CREDIT NUMBER 4950 -LR**

**FINANCING AGREEMENT**

AGREEMENT dated July 13, 2011, entered into between REPUBLIC OF LIBERIA (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). The Recipient and the Association hereby agree as follows:

**ARTICLE I — GENERAL CONDITIONS; DEFINITIONS**

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in 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 credit in an amount equivalent to forty-three million one hundred thousand Special Drawing Rights (SDR 43,100,000) (variously, “Credit” and “Financing”) 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Payment Dates are November 15 and May 15 in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
- 2.07. The Payment Currency is Dollar.

**ARTICLE III — PROJECT**

- 3.01. The Recipient declares its commitment to the objective of the Project and the Program. To this end, the Recipient shall carry out the Project through the Infrastructure Implementation Unit in accordance with the provisions of Article IV of the General Conditions, the Co-financing Agreement and this Agreement.
- 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 — REMEDIES OF THE ASSOCIATION**

- 4.01. The Additional Event of Suspension consists of the following, namely, that a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out, in such a way that is detrimental to achievement of the objective of the Project.

**ARTICLE V — EFFECTIVENESS; TERMINATION**

- 5.01. The Additional Condition of Effectiveness consists of the following, namely, that the Co-financing Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under it (other than the effectiveness of this Agreement) have been fulfilled.
- 5.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 5.03. For purposes of Section 8.05(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 date of this Agreement.

**ARTICLE VI — REPRESENTATIVE; ADDRESSES**

- 6.01. The Recipient's Representative is its minister responsible for finance.

6.02. The Recipient's Address is:

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

e-mail: communications@mof.gov.lr

6.03. The Association's Address is:

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

Cable:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI)	1-202-477-6391

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

REPUBLIC OF LIBERIA

By: /s/ Augustine K. Ngafuan

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: /s/ Ohene Owusu Nyanin

Authorized Representative

## **SCHEDULE 1**

### **Project Description**

The objective of the Project is to support the Recipient's efforts to reduce transport costs along the road corridor from Monrovia to the Guinea border and to maintain the road in good condition over a 10-year period.

The Project consists of the following parts:

#### **Part A: Design, Rehabilitation and Maintenance of Monrovia-Ganta-Guinea Border Road**

Supporting 10-year contractual management of two road lots, namely: (a) Monrovia – Gbarnga; and (b) Gbarnga-Ganta - Guinea border including the design, procurement, construction, rehabilitation, upgrading, periodic and routine maintenance, and control of road right of way of said road lots, through output and performance-based road contracts (OPRCs).

#### **Part B: Consultant Services, Operating Costs and Training**

1. Provision of technical advisory services for: (a) Monitoring the implementation of the OPRCs (performance monitoring), including: (i) performance during mobilization, design, and rehabilitation; (ii) performance and condition during routine maintenance and periodic maintenance; and (iii) data collection and analysis; and (b) Carrying out training (including workshops and seminars) for local staff and local contractors on Project management (including transactional and administrative skills), monitoring and evaluation; and supporting Project design.
2. Strengthening the institutional, technical, fiduciary (financial management and procurement) aspects, and management capacity of sector institutions, including the Infrastructure Implementation Unit (IIU), for overall coordination, implementation, performance monitoring, management and evaluation of Project activities, through:
  - (a) Recruitment of key staff with technical expertise in planning and budgeting, financial management, procurement and contract management, and monitoring and evaluation (competency areas); and
  - (b) Provision of technical advisory services and financing of operating costs, for: (i) developing detailed terms of reference for said competency areas, evaluating and selecting qualified individuals, and monitoring staff performance; (ii) developing and implementing job-based staff training programs in said competency areas; (iii) developing and implementing a staff performance evaluation framework; and (iv) carrying out feasibility studies.

## **SCHEDULE 2**

### **Project Execution**

#### **Section I. Institutional and Implementation Arrangements**

##### **A. Institutional Arrangements**

##### **1. Infrastructure Implementation Unit**

- (a) The Recipient shall ensure that the Infrastructure Implementation Unit (IIU) established within the Ministry of Public Works, is maintained at all times during the implementation of the Project, and adequately staffed with professionals including, but not limited to, a bridge engineer, a highway engineer, a financial controller, a quantity surveyor/contract officer, an asset management specialist and a legal advisor, said professionals hired under terms of reference, qualifications and experience that are satisfactory to the Association, for the purpose of ensuring the prompt and efficient overall coordination, communication, reporting, monitoring and evaluation of Project activities.
- (b) The IIU shall be responsible for technical elements, procurement, and for providing oversight in Project implementation including: (i) formulating and reviewing policies; (ii) reviewing and endorsing for approval by the Association the Annual Work Plans and Budgets, and ensuring their consistency with the Project Implementation Plan; (iii) facilitating the coordination of Project activities; (iv) reviewing progress made towards achieving the Project's objective and preparing related reports; (v) managing the road asset database; (vi) ensuring compliance with environmental safeguards; and (vii) monitoring and evaluation of the Project activities.

##### **2. Project Financial Management Unit**

- (a) Without limitation to the provisions of Section I.A.1 of this Schedule, the Recipient shall ensure that the Project Financial Management Unit (PFMU) established within the Ministry of Finance, is maintained at all times during the implementation of the Project, and adequately staffed with resources and personnel that are satisfactory to the Association.
- (b) PFMU shall be responsible for carrying out day-to-day financial management under the Project, including: (i) maintenance of accounting records and preparation of financial statements; (ii) preparation of the interim un-audited financial reports; (iii) processing payment requests on

behalf of the IIU; and (iv) facilitating the financial audits, pursuant to the provisions of paragraph B.3 of Section II of this Schedule 2.

**B. Implementation Arrangements**

**1. Annual Work Plan and Budget**

- (a) Except as provided in paragraph (b) below, the Recipient shall, not later than March 1 in each calendar year, prepare and furnish to the Association, for review and approval, a proposed annual work plan and budget for the forthcoming Fiscal Year, and proceed thereafter to implement such annual work plan and budget, as approved by the Association (Annual Work Plan and Budget).
- (b) The first Annual Work Plan and Budget required under the Project shall be furnished not later than one month after the Effective Date.
- (c) For purposes of any proposal for training or workshops to be included under an Annual Work Plan and Budget, the Recipient shall ensure that each such proposal shall include: (i) details of the objective and content of the training or workshop envisaged, the selection method of institutions or individuals conducting such training or workshop, the expected duration and an estimate of the cost of the training or workshop, and the candidates selected to attend the training or workshop; and (ii) an undertaking on the part of such candidates to submit a brief report indicating what skills have been acquired and how these skills will contribute to enhance their performance or otherwise contribute to the attainment of the objective of the Project.

**2. Project Implementation Plan**

- (a) The Recipient shall prepare and adopt a plan in form and substance satisfactory to the Association (“Project Implementation Plan”), providing details of arrangements and procedures for the implementation of the Project, including: (i) capacity building activities for sustained achievement of the Project’s objective; (ii) disbursement and financial management; (iii) institutional administration, coordination and day-to-day execution of activities of the Project; (iv) monitoring, evaluation, reporting, information, education and communication; (v) procurement; and (vi) such other administrative, financial, technical and organizational arrangements and procedures as shall be required for the Project.

- (b) The Recipient shall ensure that the Project is carried out in accordance with the Project Implementation Plan provided, however, that in case of any conflict between the provisions of the Project Implementation Plan and those of this Agreement, this Agreement shall prevail.
  - (c) Except as the Association shall otherwise agree, the Recipient shall not amend, abrogate or waive any provision of the Project Implementation Plan if, in the opinion of the Association, such amendment or waiver may materially and adversely affect the implementation of the Project.
- 3. The Recipient shall, at all times during the implementation of the Project, implement a public information strategy, in form and substance satisfactory to the Association.

**C. Anti-Corruption**

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

**D. Safeguards**

- 1. The Recipient shall ensure that the Project is carried out in accordance with the Safeguard Instruments.
- 2. The Recipient shall ensure that all measures required for carrying out the recommendations of the Safeguard Instruments are taken in a timely manner.
- 3. Without limitation to its other reporting obligations under this Agreement and under Section 4.08 of the General Conditions, the Recipient shall include in the Project Reports referred to in Section II.A of this Schedule, adequate information on the implementation of the Safeguard Instruments, giving details of: (a) measures taken in furtherance of such Safeguard Instruments; (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of such Safeguard Instruments; and (c) remedial measures taken or required to be taken to address such conditions and to ensure the continued efficient and effective implementation of such Safeguard Instruments. Each such report shall be furnished to the Association not later than forty-five (45) days after the end of the quarter covered by such report.
- 4. Specific Safeguards Covenant

The Recipient shall, not later than December 31, 2011, recruit a safeguards specialist, in accordance with the provisions of Section III.C of this Schedule.



**Section II. Project Monitoring, Reporting and Evaluation**

**A. Project Reports**

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 quarter, and shall be furnished to the Association not later than forty-five (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 forty-five (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 was made under the Financing. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.
4. Specific Financial Management Covenant; Auditor

The Recipient shall, not later than four (4) months after the Effective Date, recruit an independent and qualified external auditor, in accordance with the provisions of Section III.C of this Schedule.

**C. Performance Audits**

1. Without limitation to the provisions of paragraph B.3 immediately above, the Recipient shall cause the Project's external auditors, referred to in paragraph B.4 immediately above, to perform an annual audit during Project implementation, under terms of reference satisfactory to the Association, of the procurement for all goods, works, consultants' services, training and operating costs for the Project. Each such audit of the Project's procurement shall cover the period of one calendar year, commencing with the calendar year in which the first withdrawal was made.

2. The audit report for each such period shall: (a) be furnished to the Association not later than ninety (90) days after the end of each such period; and (b) include action plans to improve performance and/or correct any shortcomings and/or deficiencies.

### **Section III. Procurement**

#### **A. General**

1. **Goods and Works.** All goods and works required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this 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 and Works**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Works.** The following methods of procurement, other than International Competitive Bidding, may be used for goods and works: (a) National Competitive Bidding (*subject to the additional procedures in paragraph 3 below*); (b) Direct Contracting; and (c) Shopping. The Procurement Plan shall specify the circumstances under which such methods may be used.
3. **National Competitive Bidding (NCB) procedures.** The following additional provisions shall apply to NCB for goods and works under the Project: (a) foreign bidders shall be allowed to participate in the NCB procedures; (b) bidders shall be given at least one month to submit bids from the date of the invitation to bid, or the date of availability of bidding documents, whichever is later; (c) no domestic preference shall be given for domestic bidders for goods and works; and (d) in accordance with paragraph 1.14(e) of the Procurement Guidelines, each bidding document and contract financed out of the proceeds of the Credit

shall provide that: (i) the bidders, suppliers, contractors and subcontractors shall permit the Association, at its request, to inspect their accounts and records relating to the bid submission and performance of the contract, and to have said accounts and records audited by auditors appointed by the Association; and (ii) the deliberate and material violation by the bidder, supplier, contractor or subcontractor of such provision may amount to an obstructive practice as defined in paragraph 1.14(a)(v) of the Procurement Guidelines.

**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 methods of procurement, other than Quality- and Cost-based Selection, may be used for consultants' services: (a) Selection based on Consultants' Qualifications; (b) Least-Cost Selection; (c) Fixed Budget Selection; (d) Procedures of Selection of Individual Consultants; (e) Single Source Selection Procedures; and (f) Quality- Based Selection. The Procurement Plan shall specify the circumstances under which such methods may be used.

**D. Review by the Association of Procurement Decisions**

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. Specific Procurement Covenant**

The Recipient shall, not later than December 31, 2011, recruit two procurement specialists, in accordance with the provisions of Section III.C of this Schedule.

**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 Credit to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<b>Category</b>	<b>Amount of the Credit Allocated (expressed in SDR)</b>	<b>Percentage of Expenditures to be Financed (inclusive of Taxes)</b>
(1) Civil Works for Part A of the Project	29,600,000	30%
(2) Goods, Consulting Services, Training and Operating Costs for Part B of the Project	10,300,000	100%
(3) Unallocated	3,200,000	
<b>TOTAL AMOUNT</b>	<b>43,100,000</b>	

For the purpose of this paragraph A.2:

- (a) the term “Training” means the cost associated with the training, seminars and workshops, based on Annual Work Plans and Budgets approved by the Association pursuant to Section I.B.1 of Schedule 2 to this Agreement, for reasonable expenditures (other than expenditures for consultants’ services), including: (i) travel, room, board and *per diem* expenditures incurred by trainers and trainees in connection with their training and by non-consultant training facilitators; (ii) course fees; (iii) training facility rentals; and (iv) training material preparation, acquisition, reproduction and distribution expenses.
- (b) the term “Operating Costs” means the incremental expenses arising under the Project, and based on Annual Work Plans and Budgets approved by the Association pursuant to Section I.B.1 of Schedule 2 to this Agreement, on account of office equipment and supplies, vehicle operation and maintenance, maintenance of equipment, communication and insurance costs, office administration costs, utilities, rental, consumables, accommodation, travel and *per diem*, but excluding the salaries of the Recipient’s civil service.

**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, except that withdrawals up to an aggregate amount not to exceed five million United States

Dollars (US\$5 million) equivalent may be made for payments made prior to this date but on or after December 15, 2010, for Eligible Expenditures under Categories (1) and (2).

2. The Closing Date is June 30, 2022.

**SCHEDULE 3**

**Repayment Schedule**

<b>Date Payment Due</b>	<b>Principal Amount of the Credit repayable (expressed as a percentage)*</b>
On each November 15 and May 15:	
commencing November 15, 2021, to and including May 15, 2031	1%
commencing November 15, 2031, to and including May 15, 2051	2%

\* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03(b) of the General Conditions.

## **APPENDIX**

### **Definitions**

1. “Anti-Corruption Guidelines” means 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.
2. “Annual Work Plan and Budget” means the work plan and budget for the Project prepared annually by the IIU (as hereinafter defined) and approved by the Association in accordance with Section I.B.1 of Schedule 2 to this Agreement.
3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
4. “Co-financier” means the World Bank, acting as administrator of the Liberia Reconstruction Trust Fund, referred to in paragraph 10 of the Appendix to the General Conditions.
5. “Co-financing” means, for purposes of paragraph 11 of the Appendix to the General Conditions, an amount of one hundred eight million nine hundred thousand dollars (US\$108,900,000), to be provided by the Co-financier to assist in financing the Project.
6. “Co-financing Agreement” means the agreement to be entered into between the Recipient and the Co-financier providing for the Co-financing.
7. “Consultant Guidelines” mean the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006 and May 2010.
8. “Displaced Persons” mean persons who, on account of the execution of Part A of the Project suffer direct economic and social impacts resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; (iii) loss of income sources or means of livelihood, whether or not the affected persons must move to another location; and (iv) adverse impacts on the livelihoods of the displaced persons.
9. “Environmental Management Plan” and the acronym “EMP” means the plan of the Recipient, dated November 15, 2009, and November 20, 2009, defining appropriate mitigation, monitoring and institutional measures designed to mitigate potential adverse environmental and resettlement impacts, offset them, reduce them to acceptable levels or enhance positive impacts, as the same may be amended from time to time with the agreement of the Association.

10. “Fiscal Year” means the fiscal year of the Recipient commencing on July 1 and ending on June 30 of the following year.
11. “General Conditions” mean the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010.
12. “Infrastructure Implementation Unit” or “IIU” means the unit established within the Recipient’s Ministry of Public Works, and referred to in Section I.A.1(a) of Schedule 2 to this Agreement, or any successor entity thereto.
13. “Output and Performance-based Road Contract” or “OPRC” means a contract made pursuant to a competitive procurement process resulting in a contractual relationship where: (i) payments are made against measured outputs; (ii) the technical specifications define the desired results; and (iii) the outputs satisfy defined functional needs in terms of road quality, quantity and reliability, including with respect to construction, rehabilitation, upgrading, and maintenance.
14. “Procurement Guidelines” mean the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006 and May 2010.
15. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated January 31, 2011, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
16. “Program” means the Recipient’s National Transport Policy and Strategy dated June 5, 2009, providing a policy framework for the development of an efficient, safe, affordable, sustainable and people-centered transport system in the Recipient’s territory.
17. “Project Implementation Plan” means the Project Implementation Plan referred to in Section I.B.2 of Schedule 2 to this Agreement, as such plan may be amended and supplemented from time to time, with the prior written approval of the Association, and such term includes all schedules and annexes to said plan.
18. “Project Financial Management Unit” and “PFMU” means the Project Financial Management Unit established within the Recipient’s Ministry of Finance and referred to in Section I.A.2 of Schedule 2 to this Agreement or any successor arrangement thereto.
19. “Resettlement Policy Framework” or “RPF” means the Resettlement Policy Framework of the Recipient dated October 10, 2009, and disclosed on November 19, 2009, setting forth the modalities for resettlement and



compensation of Displaced Persons under the Project, as the same may be amended from time to time with the agreement of the Association.

20. "Safeguard Instruments" means the RPF and EMP for the Project.