

CONFORMED COPY

GRANT NUMBER H327 - LBR

Financing Agreement

(Agriculture and Infrastructure Development Project)

between

REPUBLIC OF LIBERIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 21, 2007

GRANT NUMBER H327 - LBR

FINANCING AGREEMENT

AGREEMENT dated August 21, 2007, 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 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 twenty four million three hundred thousand Special Drawing Rights (SDR 24,300,000.00) (variously, “Grant” 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. The Recipient’s Representative for purposes of taking any action required or permitted to be taken pursuant to this Section is its Minister of Finance.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Payment Dates are March 15 and September 15 in each year.
- 2.05. The Payment Currency is the Dollar.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through its Ministry of Public Works with the assistance of MOA, MOF, and MOT in accordance with the provisions of: (a) Article IV of the General Conditions; (b) the provisions of this Agreement; and (c) the provisions of the MOU.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

- 4.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

- 5.01. The Recipient's Representative is the Minister of Finance.
- 5.02. The Recipient's Address is:

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

Facsimile:

011-2317-7812997

5.03. 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 248423 (MCI) or 1-202-477-6391
Washington, D.C. 64145 (MCI)

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

REPUBLIC OF LIBERIA

By: /s/ Antoinette M. Sayeh

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: /s/ Mats Karlsson

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to support the Recipient's efforts to: (a) rehabilitate its basic infrastructure; and (b) revive its agriculture activities.

The Project consists of the following parts:

Part A: Policy Reform and Institutional Support

1. Provision of technical assistance and training to MPW's staff to enable a minimum of two (2) year management contract for the operation of the port of Monrovia.
2. Provision of technical assistance and training to MPW's and MOT's staff to design a comprehensive national transport policy and strategy paper for the Recipient.
3. Provision of technical assistance and training to MOA's staff to: (a) strengthen the Policy, Planning and Coordination Unit within MOA to develop policies to enhance the Recipient's agriculture sector; (b) establish a functioning monitoring, evaluation and statistical reporting unit including a sector monitoring system in MOA; and (c) develop priority agriculture sector policies.

Part B: Agriculture and Infrastructure Investments

1. Refurbishment of the Recipient's oil jetty.
2. Supporting the rehabilitation of the Monrovia-Buchanan road.
3. Rehabilitation and maintenance of the Recipient's rural roads.
4. Design and construction of a bridge in Vai Town-Monrovia.
5. Rehabilitation and construction of six (6) main bridges on the Monrovia-Buchanan and Monrovia-Ganta roads.

6. Rehabilitation and construction of approximately ten (10) small bridges and thirty (30) river crossings on the Recipient's national road network.
7. Rehabilitation of the White Plains water plant in Monrovia to: (a) bring it to at least 50% of its design capacity; and (b) enable the expansion of distribution of potable water in the city of Monrovia.
8. Provision of technical assistance and training to MPW's staff to produce a feasibility study for the construction of a new landfill in the city of Monrovia.
9. Provision of technical assistance to farmer based organizations to support agricultural production of tree crops and food crops along value and marketing chains.
10. Supporting productive and marketing agriculture infrastructure including: (a) market places; (b) local agricultural distribution hubs; (c) agricultural storage facilities; and (d) post-harvest handling facilities.
11. Rehabilitation and maintenance of Recipient's seed multiplication facilities to supply quality rice seed for rice farmers.
12. Provision of technical assistance to MPW to support supervision of works under Part B of the Project.
13. Provision of technical assistance for road design for the Gate 15 to Ganta/Guinea Border road.

Part C: Project Management and Capacity Building

Supporting the PFMU and the SIU in the management, monitoring and evaluation of the Project, through: (a) the provision of technical advisory services; (b) training; (c) goods; (d) civil works for office rehabilitation; and (e) the financing of Operating Costs.

SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. **Steering Committee**

1. Composition

The Recipient shall maintain at all times during Project implementation a Steering Committee with not more than seven (7) members. Without limitation to the generality of the foregoing, the Steering Committee shall be chaired by the Recipient's Minister of Public Works, and have representatives from, *inter alia*, the Recipient's Ministry of Transport, Ministry of Agriculture, Ministry of Finance; and Ministry of Planning.

2. Role

The Steering Committee shall be responsible for providing overall Project oversight and strategic policy guidance under terms of reference acceptable to the Association.

B. **Special Implementation Unit**

3. Composition

Except as otherwise provided in this Agreement, the Recipient shall maintain, at all times during Project implementation, the SIU adequately staffed with persons under terms of reference, qualifications, and experience that are satisfactory to the Association, including a Project coordinator, an agriculture specialist, a procurement specialist, road and water engineers, a transport economist, and an environmental specialist.

4. Role

The SIU shall be responsible for day to day implementation of the Project. Without limitation to the generality of the foregoing, the SIU shall carry out tasks that shall include: (a) preparation of annual work plans; (b) providing the PFMU with such information as shall be required to enable the PFMU to carry out

financial management under the Project; (c) preparation of consolidated Interim Un-audited Financial Reports incorporating financial management information submitted by the PFMU for this purpose; (d) carrying out of procurement; and (e) monitoring and evaluation of Project implementation.

C. Project Financial Management Unit

5. Composition

Except as otherwise provided in this Agreement, the Recipient shall maintain at all times during Project implementation the PFMU adequately staffed with persons with terms of reference, qualifications and experience that are satisfactory to the Association, including a manager, accountant, and internal auditor.

6. Role

The PFMU shall be responsible for carrying out the financial management under the Project. Without limitation to the generality of the foregoing, the PFMU shall carry out tasks that shall include: (a) maintenance of accounting records and preparation of financial statements; (b) preparation of the financial aspects of the Interim Un-audited Financial Reports for consolidation by the SIU; (c) processing payments on behalf of the SIU; and (d) facilitating the financial audits, pursuant to the provisions of paragraph B.3 of Section II of this Schedule 2.

D. Environmental and Social Safeguards

7. The Recipient shall:

- (a) Carry out an environmental and social assessment of the Project, and prepare an Environmental Management Plan and a Resettlement Action Plan, as the case may be, that are satisfactory to the Association, within six (6) months of the Effective Date.
- (b) Disclose the: (1) environmental and social assessment results, (2) Environmental Management Plan; and (3) Resettlement Action Plan, referred to in paragraph D.7 (a) of Section I of Schedule 2 to this Agreement in a manner that shall be agreed with the Association.

- (c) Implement the Project in accordance with the provisions and recommendations of the: (1) environmental and social assessment, (2) Environmental Management Plan; and (c) Resettlement Action Plan, referred to in paragraph D.7 (a) of Section I of Schedule 2 to this Agreement

E. Annual Work Plans

- 8. The Recipient shall ensure that: (a) an annual work plan is prepared within two (2) months of the Effective Date for the first year of the Project implementation, for the approval of the Association, and on or about the anniversary date of the submission of the said first report for subsequent years of Project implementation; and (b) the Project is implemented in accordance with such annual work plans.

F. Anti-Corruption

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

G. Memorandum of Understanding

- 10. The Recipient shall, not later than thirty (30) days following the Effective Date, enter into a memorandum of understanding with MOA, MOF, MOT, and MPW, in form and substance satisfactory to the Association, including, *inter alia*, allocation of responsibilities for Project implementation, obligations to provide technical support for the Project, as well as obligations to monitor and evaluate the technical implementation of the Project.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

- 1. (a) 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 the indicators set forth below in sub-paragraph (b) of this paragraph. Each Project Report shall cover the period of one (1) calendar year commencing from the Effective Date and shall be furnished to the Association not later than one (1) month after the end of the period covered by such report.

- (b) The performance indicators referred to above in sub-paragraph (a) consist of the following:
- (i) Port productivity increases from three (3) moves per hr/crane to ten (10) moves per hr/crane, by December 31, 2009.
 - (ii) At least two (2) agriculture sector policies complete with results framework submitted to Recipient's Minister of Agriculture, by December 31, 2010.
 - (iii) Draft national transport policy and strategy paper prepared for Recipient's Executive Power endorsement, by June 30, 2008.
 - (iv) Conclude institutional review of LWSC for Recipient's Minister of Land, Mines and Energy endorsement, by June 30, 2008.
 - (v) New bridge built in Vai Town-Monrovia, by December 31, 2008.
 - (vi) Six (6) main bridges rehabilitated, by June 30, 2009.
 - (vii) Thirty (30) minor river crossings improved, by June 30, 2010.
 - (viii) Recipient's oil jetty fully refurbished, by December 31, 2008.
 - (ix) White Plains water plant refurbished, by December 31, 2008.
 - (x) Increase in the number of markets where seed rice is available from 3 to 10 markets, by December 31, 2010.
 - (xi) Increase of 30% from current levels of 3,000 metric tons to 4,000 metric tons of cocoa by December 31, 2010.
- (c) Without limitation to the generality of sub-paragraph (a) above, the Recipient shall carry out jointly with the Association, on or about twenty-four (24) months after the Effective Date, a comprehensive mid-term review to assess the status of Project implementation. The Recipient shall not later than one (1) month before such review, prepare and furnish to the Association a report that is satisfactory to the Association in scope and detail for purposes of such review.

2. For purposes of Section 4.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than June 30, 2012.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall:
 - (a) maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
 - (b) Without limitation to the generality of the foregoing, the Recipient shall:
 - (i) maintain an integrated accounting software system that is satisfactory to the Association; and
 - (ii) ensure that the Project coordinator, accountant, and procurement specialist work effectively together to ensure that all procurement and payments are effected in a timely manner and adequate records maintained to evidence such payments.
 - (c) maintain an independent auditor to carry out financial audits pursuant to Section 4.09 (b) of the General Conditions.
 - (d) ensure that the Project is implemented in accordance with the financial management manual, and except as the Association shall otherwise agree, shall not amend or waive any provision of the said manual, if in the opinion of the Association the said amendment or waiver could materially or adversely affect the implementation of the Project.
2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association not later than one (1) month after the end of each semester, Interim Un-audited Financial Reports for the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient, commencing with the fiscal year in which the first withdrawal under the Financing was made. 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.

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 Schedule.
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 table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

Procurement Method
(a) National Competitive Bidding
(b) Shopping
(c) Direct Contracting
(d) Procurement from United Nations Agencies (including the Inter-Agency Procurement Services Office)
(e) Force Account

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. The short list of consultants estimated to cost less than \$100,000 per contract may comprise entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Guidelines.

2. **Other Methods of Procurement of Consultants' Services.** The following table specifies methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method
(a) Single Source Selection
(b) Individual Consultants
(c) Selection Based on Consultant Qualifications
(d) Least Cost Selection

D. Review by the Association of Procurement Decisions

1. Except as the Association shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the Association:
(a) each contract for goods estimated to cost the equivalent of \$200,000 or more;
(b) each contract for works estimated to cost the equivalent of \$500,000 or more;
(c) each contract for goods or works procured using Direct Contracting; (d) each contract for consultants' services provided by a firm estimated to cost the equivalent of \$100,000 or more; (e) each contract for individual consultants estimated to cost the equivalent of \$10,000 or more; and (f) each contract for consultants' services provided by a firm or an individual procured on the basis of Single Source Selection.

All other contracts shall be subject to Post Review by the Association.

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

<u>Category</u>	<u>Amount of the Grant Allocated (expressed in SDR)</u>	<u>Percentage of Expenditures to be Financed</u>
(1) Works	17,580,000	100%
(2) Goods	990,000	100%
(3) Consultant’s Services (including audits)	5,050,000	100%
(4) Training	330,000	100%
(5) Operating Costs	350,000	100%
TOTAL	24,300,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section no withdrawals shall be made in respect of payments for expenditures prior to the date of this Agreement.
2. The Closing Date is December 31, 2011.

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.
2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
4. “Environmental Management Plan” means a plan, approved by the Association for Part B of the Project, to be prepared by the Recipient after carrying out an environmental assessment pursuant to paragraph D.7 (a) of Section I of Schedule 2 to this Agreement, proposing 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.
5. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006).
6. “Interim Un-audited Financial Report” means the report referred to in paragraph B.2 of Section II of Schedule 2 to this Agreement, and which: (i) sets forth the sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing funds provided under the Designated Account, and explains variances between the actual and planned uses of such funds; (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and (iii) sets forth the status of procurement under the Project, as at the end of the period covered by the said report.
7. “Liberia Water and Sewage Corporation” or “LWSC” means the Recipient’s parastatal responsible for provision of water and sewage services.

8. “Ministry of Agriculture” or “MOA” means the Recipient’s ministry in charge of Agriculture.
9. “Ministry of Finance” or “MOF” means the Recipient’s ministry in charge of Finance.
10. “Ministry of Public Works” or “MPW” means the Recipient’s ministry in charge of Public Works.
11. “Ministry of Transport” or “MOT” means the Recipient’s ministry in charge of Transport.
12. “Memorandum of Understanding” or “MOU” is the agreement referred to in paragraph G.10 of Section I of Schedule 2 to this Agreement, to be entered into between the MOA, the MOF, MOT, and the MPW setting out the respective obligations of the parties with respect to Project implementation activities, including the financial management, and procurement arrangements;
13. “Operating Costs” means the incremental expenditures incurred by the SIU, PFMU, and MOA as a result of Project implementation, management and monitoring, including bank charges, communication costs, utilities, office equipment, travel costs and allowances, vehicle and office equipment maintenance, office supplies, and salaries of SIU, PFMU and MOA contractual staff, but excluding the salaries of the Recipient’s civil servants.
14. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006.
15. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated May 15, 2007 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. “Project Financial Management Unit” or PFMU” means the Project Financial Management Unit established within MOF with a composition and role described in paragraphs C.5 and C.6 of Section I of Schedule 2 to this Agreement.
17. “Resettlement Action Plan” means a plan, approved by the Association for Part B of the Project, to be prepared by the Recipient after carrying out an environmental and social assessment pursuant to paragraph D.7 (a) of Section I

of Schedule 2 to this Agreement, for land acquisition, resettlement and compensation in connection with Part B of the Project, as the same may be amended from time to time with the agreement of the Association.

18. “Special Implementation Unit” or “SIU” means the unit established within MPW with a composition and role described in paragraphs B.3 and B.4 of Section I of Schedule 2 to this Agreement.
19. “Steering Committee” means the committee with a composition and role described in paragraphs A.1 and A.2 of Section I of Schedule 2 to this Agreement.