

CONFORMED COPY

CREDIT NUMBER 4313-CM

Project Agreement

(Urban and Water Development Support Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

**CAMEROON WATER UTILITIES CORPORATION
(CAMWATER)**

Dated November 15, 2007

PROJECT AGREEMENT

AGREEMENT dated November 15, 2007, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and CAMWATER (“Project Implementing Entity”) (“Project Agreement”) in connection with the Financing Agreement (“Financing Agreement”) of same date between the REPUBLIC OF CAMEROON (“Recipient) and the Association. The Association and the Project Implementing Entity hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to the Financing 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 Financing Agreement or the General Conditions.

ARTICLE II — PROJECT

- 2.01. The Project Implementing Entity declares its commitment to the objectives of the Project and the Urban Supply Water Program. To this end, the Project Implementing Entity shall carry out Part C of the Project in accordance with the provisions of Article IV of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for its Respective Part of the Project.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Association and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out its Respective Part of the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III — TERMINATION

- 3.01. For purposes of Section 8.05 (c) of the General Conditions, the date on which the provisions of this Agreement shall terminate is twenty years after the date of this Agreement.

ARTICLE IV — REPRESENTATIVE; ADDRESSES

4.01. The Project Implementing Entity's Representative is its general manager (*directeur général*).

4.02. The Association's Address is:

International Development Association
1818 H Street, NW
Washington, DC 20433
United States of America

Cable:

Telex:

Facsimile:

INDEVAS
Washington, D.C.

248423(MCI)

1-202-477-6391

4.03. The Project Implementing Entity's Address is:

Cameroon Water Utilities Corporation
BP 524
Douala, Cameroon

Facsimile:

237 33 43 72 70

AGREED at Yaoundé, Republic of Cameroon, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: */s/ Mary Barton-Dock*
Authorized Representative

CAMWATER

By: */s/ Basile Atangana Kouna*
Authorized Representative

SCHEDULE

Execution of the Project Implementing Entity's Respective Part of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Project Implementing Entity shall carry out its operations and conduct its affairs in accordance with sound administrative, financial and technical practices under the supervision of qualified and experienced management assisted by competent staff targeted to number not more than about seventy-five persons.

2. Except as the Association shall otherwise agree, the Project Implementing Entity shall apply the criteria, policies, procedures and arrangements set out in the PIM and the PAFAM.

3 The Project Implementing Entity shall:

(a) at the request of the Association, exchange views with the Association with regard to the progress of Part C of the Project, the performance of its obligations under this Agreement, the Subsidiary Agreement, the Concession Contract, the Lease Contract or the Works Contract and other matters relating to the purposes of the accomplishment of the objective of Part C of the Project;

(b) promptly inform the Association of any condition which interferes or threatens to interfere with the progress of Part C of the Project, the accomplishment of the purposes of the objectives of Part C of the Project, or the performance by the Project's Implementing Entity of its obligations under this Agreement, the Subsidiary Agreement, the Concession Contract, the Lease Contract or the Works Contract;

(c) carry out, in conjunction with the Recipient and the Association, the Mid-term Review, referred to in Section II A 2 of Schedule 2 to the Financing Agreement; and

(d) promptly after completing such review, carry out recommendations arising out of said review, with due diligence and efficiency and in accordance with appropriate practices.

4. The Project Implementing Entity shall, before the beginning of each Fiscal Year, furnish to the Recipient and the Association, for review and approval a proposed annual work program in respect of Part C of the Project, including a proposed budget and financing plan, for the forthcoming Fiscal Year

B. Safeguards

1. The Project Implementing Entity shall ensure that Its Respective Part of the Project is implemented in accordance with the provisions of the ESMF and the RPF.
2. The Project Implementing Entity shall: (a) before commencing the implementation of any activity under its Respective Part of the Project with respect to which the completion of an ESIA and preparation of an EMP and/or RAP is required, prepare and furnish to the Association said ESIA, EMP and/or RAP specific to such activity, in form and substance satisfactory to the Association, describing: (i) the potential adverse environmental and/or social impact of such activity; (ii) the measures for the offsetting, reducing, or mitigating of such impact; and (iii) the institutional arrangement for monitoring and implementing such measures; (b) publicly disclose any ESIA, EMP or RAP; and (c) carry out or cause to be carried out any activity required under any EMP and/or RAP to mitigate, reduce, offset and/or compensate any adverse impact.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. (a) The Project Implementing Entity shall monitor and evaluate the progress of its Respective Part of the Project and prepare Project Reports for its Respective Part of the Project in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators set forth below in subparagraph (b) of this paragraph. Each such Project Report shall cover the period of one calendar semester, and shall be furnished to the Recipient not later two weeks after the end of the period covered by such report for incorporation and forwarding by the Recipient to the Association of the overall Project Report.
- (b) The performance indicators referred to above in sub-paragraph (a) consist of the following:
 - by December 31, 2011 sustainable financial equilibrium is reached in urban water supply sector;
 - by the Closing Date, 1,200 stand posts and 70,000 social water connections have been installed; and
 - by December 31, 2011, the water consumption of public customers represents no more than 25% of total urban water consumption.
2. The Project Implementing Entity shall provide to the Recipient not later than three month after the Closing Date, for incorporation in the report referred to in Section 4.08 (c) of the General Conditions all such information as the Recipient or the Association shall reasonably request for the purposes of such Section.

B. Financial Management, Financial Reports and Audits

1. The Project Implementing Entity shall 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 and financial condition of the Project Implementing Entity, including the operations, resources and expenditures related to its Respective Part of the Project.
2. Without limitation on the provisions of Part A of this Section, the Project Implementing Entity shall prepare and furnish to the Association not later than 45 days after the end of each calendar quarter, interim unaudited financial reports for its Respective Part of the Project covering the quarter, in form and substance satisfactory to the Association.
2. The Project Implementing Entity shall have its financial statements referred to above audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of these financial statements shall cover the period of one fiscal year of the Project Implementing Entity. The audited financial statements for each period shall be furnished to the Association not later than six months after the end of the period.

Section III. Procurement

All goods, works and services required for the Project Implementing Entity's Respective Part of the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement.