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CONFORMED COPY

GRANT NUMBER H474-CF

Financing Agreement

(Second Economic Management and Governance Reform Grant)

between

CENTRAL AFRICAN REPUBLIC

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated April 9, 2009

FINANCING AGREEMENT

AGREEMENT dated April 9, 2009, entered into between CENTRAL AFRICAN REPUBLIC (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association” or “IDA”) for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement) under the IDA-Financial Crisis Response Fast Track Facility established by the Executive Directors of the Association by Resolution of December 9, 2008. The Association has decided to provide this financing on the basis, *inter alia*, of: (a) the actions which the Recipient has already taken under the Program and which are described in Section I of Schedule 1 to this Agreement, and (b) the Recipient’s maintenance of an appropriate macro-economic policy framework. The Recipient and the Association therefore hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in 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 grant in an amount equivalent to three million four hundred thousand Special Drawing Rights (SDR 3,400,000) (“Financing”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in support of the Program in accordance with Section II of Schedule 1 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Payment Dates are March 15 and September 15 in each year.
- 2.05. The Payment Currency is the Euro.

ARTICLE III — PROGRAM

- 3.01 The Recipient declares its commitment to the Program and its implementation. To this end:
- (a) the Recipient and the Association shall from time to time, at the request of either party, exchange views on the progress achieved in carrying out the Program;
 - (b) prior to each such exchange of views, the Recipient shall furnish to the Association for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Association shall reasonably request; and
 - (c) without limitation upon the provisions of paragraphs (a) and (b) of this Section, the Recipient shall promptly inform the Association of any situation that would have the effect of materially reversing the objectives of the Program or any action taken under the Program including any action specified in Section I of Schedule 1 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Event of Suspension consists of the following:
- (a) A situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.

ARTICLE V — EFFECTIVENESS; TERMINATION

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

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient's Representative is the Minister of the Recipient at the time responsible for international cooperation.

6.02. The Recipient's Address is:

Minister of State, for Planning, Economy and International Cooperation
Ministry of Planning, Economy and International Cooperation
Bangui
Central African Republic

Facsimile:

236-21-61-96-89

6.03. The Association's Address is:

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

Cable address:

Telex:

Facsimile:

INDEVAS
Washington, D.C.

248423(MCI)

1-202-477-6391

AGREED at Bangui, Central African Republic, as of the day and year first above written.

CENTRAL AFRICAN REPUBLIC

By

/s/ Sylvain Maliko
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

/s/ Jelena Pantelic
Authorized Representative

SCHEDULE 1**Program Actions; Availability of Financing Proceeds****Section I. Actions under the Program**

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

(A) *To improve efficiency of the Recipient's public financial management*

- a) By decision of its Minister responsible for finance No. 004/MFB/DIR.CAB/DGTCP/DGCPR/CTRSC.09, dated January 15, 2009, the Recipient has adopted a revised and more comprehensive accounting nomenclature in line with the OHADA standards;
- b) By decision of its Minister responsible for finance No. 005/MFB/DIR.CAB/DGB.09 dated January 15, 2009, the Recipient has increased the budget allocation for the Court of Accounts by at least 100% between 2008 and 2009, and designated the President of the Court of Accounts as budget administrator;
- c) By letters dated December 15, 2008 from its Minister responsible for finance, addressed to CBCA, ECOBANK and BPMC respectively, each a commercial bank established on the Recipient's territory, the Recipient has requested that fifty-two Government accounts held in commercial banks be closed immediately and that the balance of said accounts be transferred to a designated treasury account at the Recipient's central bank;
- d) 6,350 new taxpayers have been registered in the master file of the Recipient's tax and customs database and assigned an identification number, as confirmed by a report from its Deputy General Director for Taxes and Customs to the Recipient's Delegated Minister for Finance and Budget dated February 12, 2009;
- e) By Decision of its Minister responsible for finance No. 016-2009/MFB/MDMRF/DR|IR.CAB/DAJ dated February 5, 2009, the Recipient has instructed the General Director for Customs and Indirect Taxes, the General Director for Taxes and Domains, and the Director for Information Systems, each within its Ministry responsible for finance, to provide systematic feedback on exemption conventions signed by the Recipient to the Inter-ministerial Committee in Charge of Tax and Customs Duty Exemptions (CICEFD) established by the Recipient's Decree No. 07.380 dated December, 27 2007 and to give CICEFD full access to ASYCUDA (for customs) and SYSTEMIF (in the tax directorate) databases;

(B) To strengthen public sector and economic governance

- f) By Decree No. 09.044 of February 12, 2009, the Recipient has adopted the General Conditions of Contract related to procurement by the Recipient and other public entities;
- g) By Decree No. 09.022 of January 19, 2009, the Recipient has designated the members of the Permanent Secretariat of the Regulatory Procurement Agency established by Decree No. 08-335 of September 20, 2008, and by Decision No. 001/PM/ARMP/CRD.09 of February 11, 2009 from the President of the Recipient's Bidders complaint unit (*Comité de Règlement des Différends*), established by Law No. 08.017 of June 6, 2008, the Recipient has designated the members of the Bidders complaint unit;
- h) By Decree No. 08.454 of December 8, 2008, the Recipient has suspended the issuance of new mining licenses until the Recipient's adoption of a new mining Code; and
- i) By decision from its Minister responsible for forests dated December 18, 2008, the Recipient has instructed the authorities of each forest commune on the Recipient's territory to disclose information pertaining to the forestry revenue sharing mechanisms between the Recipient and the communities and the amount from local taxes paid by forestry operators accruing to communities.

Section II. Availability of Financing Proceeds

- A. General.** The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of this Section and such additional instructions as the Association may specify by notice to the Recipient.
- B. Allocation of Financing Amounts.** The Financing shall be withdrawn in a single tranche. The allocation of the amounts of the Financing to this end is set out in the table below:

Allocations	Amount of the Financing Allocated (expressed in SDR)
Single Tranche	3,400,000
TOTAL AMOUNT	3,400,000

- C. Deposits of Financing Amounts.** Except as the Association may otherwise agree:
1. all withdrawals from the Financing Account shall be deposited by the Association into a dedicated account or accounts designated by the Recipient and acceptable to the Association; and
 2. the Recipient shall ensure that upon each deposit of an amount of the Financing into any such account, an equivalent amount is accounted for in the Recipient's budget management system, in a manner acceptable to the Association.
- D. Audit.** Upon the Association's request, the Recipient shall:
1. have the dedicated accounts referred to in paragraph (C)(1) above audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association;
 2. furnish to the Association as soon as available, but in any case not later than four months after the date of the Association's request for such audit, a certified copy of the report of such audit, of such scope and in such detail as the Association shall reasonably request; and
 3. furnish to the Association such other information concerning the dedicated accounts referred to in paragraph (C)(1) and their audit as the Association shall reasonably request.
- E. Excluded Expenditures.** The Recipient undertakes that the proceeds of the Financing shall not be used to finance Excluded Expenditures. If the Association determines at any time that an amount of the Financing was used to make a payment for an Excluded Expenditure, the Recipient shall, promptly upon notice from the Association, refund an amount equal to the amount of such payment to the Association. Amounts refunded to the Association upon such request shall be cancelled.
- F. Closing Date.** The Closing Date is March 1, 2010.

APPENDIX

Section I. Definitions

1. “ASYCUDA” means the Recipient’s computerized information system for customs.
2. “CFA Franc” means the currency of the African Financial Community.
3. “Excluded Expenditure” means any expenditure:
 - (a) for goods or services supplied under a contract which any national or international financing institution or agency other than the Association or the Bank has financed or agreed to finance, or which the Association or the Bank has financed or agreed to finance under another credit, grant or loan;
 - (b) for goods included in the following groups or sub-groups of the Standard International Trade Classification, Revision 3 (SITC, Rev.3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev.3 (1986) (the SITC), or any successor groups or subgroups under future revisions to the SITC, as designated by the Association by notice to the Recipient:

Group	Sub-group	Description of Item
112		Alcoholic beverages
121		Tobacco, un-manufactured, tobacco refuse
122		Tobacco, manufactured (whether or not containing tobacco substitutes)
525		Radioactive and associated materials
667		Pearls, precious and semiprecious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors
728	728.43	Tobacco processing machinery
897	897.3	Jewelry of gold, silver or platinum group metals (except watches and watch cases) and

Group	Sub-group	Description of Item
		goldsmiths' or silversmiths' wares (including set gems)
971		Gold, non-monetary (excluding gold ores and concentrates)

- (c) for goods intended for a military or paramilitary purpose or for luxury consumption;
 - (d) for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws of the Recipient or international agreements to which the Recipient is a party;
 - (e) on account of any payment prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and
 - (f) with respect to which the Association determines that corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Recipient or other recipient of the Financing proceeds, without the Recipient (or other such recipient) having taken timely and appropriate action satisfactory to the Association to address such practices when they occur.
4. "General Conditions" means the "International Development Association General Conditions for Credits and Grants", dated July 1, 2005 (as amended through October 15, 2006) with the modifications set forth in Section II of this Appendix.
 5. "OHADA" means the Organization for the Harmonization of Business Law in Africa, an international organization established among its member states by Treaty of October 17, 1993.
 6. "Program" means the program of actions, objectives and policies designed to promote growth and achieve sustainable reductions in poverty and set forth or referred to in the letter dated February 20, 2009 from the Recipient to the Association declaring the Recipient's commitment to the execution of the Program, and requesting assistance from the Association in support of the Program during its execution.
 7. "Single Tranche" means the amount of the Financing allocated to the category entitled "Single Tranche" in the table set forth in Part B of Section II of Schedule 1 to this Agreement.
 8. "SYSTEMIF" means the Recipient's computerized information system for taxes.

Section II. Modifications to the General Conditions

The modifications to the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006) are as follows:

1. The last sentence of paragraph (a) of Section 2.03 (relating to Applications for Withdrawal) is deleted in its entirety.
2. Sections 2.04 (*Designated Accounts*) and 2.05 (*Eligible Expenditures*) are deleted in their entirety, and the remaining Sections in Article II are renumbered accordingly.
3. Section 2.05 (renumbered as such pursuant to paragraph 2 above) is modified to read as follows:

“Section 2.05. *Refinancing Preparation Advance*

If the Financing Agreement provides for the repayment out of the proceeds of the Financing of an advance made by the Association or the Bank (“Preparation Advance”), the Association shall, on behalf of the Recipient, withdraw from the Financing Account on or after the Effective Date the amount required to repay the withdrawn and outstanding balance of the advance as at the date of such withdrawal from the Financing Account and to pay all accrued and unpaid charges, if any, on the advance as at such date. The Association shall pay the amount so withdrawn to itself or the Bank, as the case may be, and shall cancel the remaining unwithdrawn amount of the advance.”

4. Sections 4.01 (*Project Execution Generally*), and 4.09 (*Financial Management; Financial Statements; Audits*) are deleted in their entirety, and the remaining Sections in Article IV are renumbered accordingly.
5. Paragraph (a) of Section 4.05 (renumbered as such pursuant to paragraph 3 above and relating to *Use of Goods, Works and Services*) is deleted in its entirety.
6. Paragraph (c) of Section 4.06 (renumbered as such pursuant to paragraph 3 above) is modified to read as follows:

“Section 4.06. *Plans; Documents; Records*

... (c) The Recipient shall retain all records (contracts, orders, invoices, bills, receipts and other documents) evidencing expenditures under the Financing until two years after the Closing Date. The Recipient shall enable the Association’s representatives to examine such records.”

7. Section 4.07 (renumbered as such pursuant to paragraph 3 above) is modified to read as follows:

“Section 4.07. *Program Monitoring and Evaluation*

... (c) The Recipient shall prepare, or cause to be prepared, and furnish to the Association not later than six months after the Closing Date, a report of such scope and in such detail as the Association shall reasonably request, on the execution of the Program, the performance by the Recipient and the Association of their respective obligations under the Legal Agreements and the accomplishment of the purposes of the Financing.”

8. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

- (a) The definition of the term “Eligible Expenditure” is modified to read as follows:

“‘Eligible Expenditure’ means any use to which the Financing is put in support of the Program, other than to finance expenditures excluded pursuant to the Financing Agreement.”

- (b) The term “Financial Statements” and its definition as set forth in the Appendix are deleted in their entirety.

- (c) The term “Project” is modified to read “Program” and its definition is modified to read as follows:

“‘Program’ means the program referred to in the Financing Agreement in support of which the Financing is made.” All references to “Project” throughout these General Conditions are deemed to be references to “Program”.

- (a) The term “Program Preparation Advance” (renamed as such pursuant to subparagraph 8 (c) above) is modified to read “Preparation Advance” and its definition is modified to read as follows:

“‘Preparation Advance’ means the advance referred to in the Financing Agreement and repayable in accordance with Section 2.05.”