

CONFORMED COPY

GRANT NUMBER H292-CD

Financing Agreement

(Public Financial Management Capacity Building Project)

between

REPUBLIC OF CHAD

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated December 22, 2007

GRANT NUMBER H292-CD

FINANCING AGREEMENT

AGREEMENT dated December 22, 2007, entered into between The REPUBLIC OF CHAD (“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 grant in an amount equivalent to six million seven hundred thousand Special Drawing Rights (SDR 6,700,000) (“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 Payment Dates are March 15 and September 15 in each year.
- 2.05. The Payment Currency is the Euro.

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 Finance in accordance with the provisions of Article IV of the General Conditions.
- 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:
 - (a) A situation has arisen which shall make it improbable that the PAMFIP, or a significant part thereof, will be carried out.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Conditions of Effectiveness consist of the following:
 - (a) The Recipient has recruited an independent audit firm in accordance with the provisions of this Agreement, which it has employed under terms and conditions satisfactory to the Association.
 - (b) The Recipient has adopted the Project Implementation Manual, which includes the administrative, financial, accounting and M&E procedures, in form and substance satisfactory to the Association.
 - (c) The 2008-2010 expenditure program of the MoF is included in the Recipient's 2008-2010 MTEF; and the programmed annual expenditures of the MoF for 2008 are budgeted in the Recipient 2008 draft Budget as adopted by the Counsel of Ministries.
 - (d) The Recipient has established an M&E system for the Project, satisfactory to the Association.
 - (e) The Recipient has filled the positions of head of procurement services and head of financial management within the DAAF of the MoF.

- 5.02. 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 the economy and planning.

- 6.02. The Recipient's Address is:

Ministry of Economy and Planning
B.P. 286
N'Djamena, Republic of Chad

| | |
|---------|----------------------------------|
| Telex: | Facsimile: |
| 5329 KD | (235) 51 51 85 (235) 52 00 87 |

- 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 N'Djamena, Republic of Chad, as of the day and year first above written.

REPUBLIC OF CHAD

By /s/ Ousmane Matar Brême

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Goeffrey H. Bergen

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to assist the Recipient to enhance the quality and effectiveness of its public financial management system in order to contribute to the efficient and transparent use of public resources, by providing support, in coordination with other donors, to the Recipient's action plan for modernization of public financial management (PAMFIP).

The Project consists of the following parts:

Part 1: Public Finance and Financial Accountability

1. Improve alignment of resource allocation with the priorities set forth in the PRSP and restore budget credibility by: (i) improving budget preparation; (ii) improving budget execution by reinforcing monitoring and execution capacity at the MoF level and at the level of DAAFM's of the Priority Ministries; and (iii) enhancing institutional reforms and restructuring through organizational realignment of the MoF and its General Directorates, updating of the financial legal framework and the public accounting system, and development and updating of operational manuals for macro-fiscal projections, budget preparation and execution, through the provision of technical assistance, equipment and training to the MoF.

2. Improve financial controls and accountability by: (i) clarifying roles and enforcing capacities of the audit and oversight institutions (IGF, MCCGEM, Chamber of Accounts, College and MSCM); and (ii) strengthening the Finance Commission of Parliament, through the provision of equipment, technical assistance, training and studies.

Part 2: Human Resources Development

Improve the human resources capacity of the MoF by: (i) strengthening the DRH, and other human resources focal points of the MoF; (ii) strengthening local PFM, ICT and M&E training institutions; (iii) developing job descriptions for the main General Directorates; (iv) developing a merit-based human resource management tool; and (v) designing and implementing annual capacity development plans, through the provision of technical assistance, training, and equipment

Part 3: Integrated Financial Management Information System

Improve effectiveness and efficiency of the MoF's budget management by: (i) establishing ICT advisory and strategic expertise at MoF; (ii) assessing the MoF's existing ICT environment; (iii) developing a comprehensive ICT strategy and implementation plan; and (iv) providing support for its implementation, through the provision of technical assistance, equipment and training.

Part 4: Coordination, Monitoring and Evaluation of the PAMFIP

Enforce the MoF's managerial and leadership capacity to implement the PAMFIP by: (i) strengthening the PAMFIP Steering Committee and Technical Secretariat; (ii) reinforcing consensus at the cabinet level; and (iii) developing an operational M&E system for public financial management.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

- (a) The Recipient shall maintain the PAMFIP Steering Committee throughout the implementation of the Project, which shall operate in accordance with the terms of the PAMFIP Decree.
- (b) The Recipient shall maintain the Technical Secretariat to the PAMFIP Steering Committee throughout the implementation of the Project, headed by a coordinator and including four professionals in charge of programming and monitoring of public financial management, human resource management, and M&E. The Technical Secretariat will be located within the MoF and oversee the reform process, assist in planning and budgeting of activities. The Technical Secretariat shall ensure day-to-day operational coordination of activities of the Project and the PAMFIP and the M&E activities of the Project and the PAMFIP. The Technical Secretariat shall operate in accordance with the terms of the PAMFIP Decree.
- (c) The Recipient shall ensure that each General Directorate prepare and implement its annual work program for the PAMFIP, including the activities of the Project.
- (d) The DAAFM shall provide support to the Technical Secretariat and the General Directorates on procurement and financial management matters and ensure the financial and procurement management of the Project.
- (e) Except as the Association shall otherwise agree, the Recipient shall not amend, suspend or waive any provision of the PAMFIP Decree if, in the opinion of the Association, such amendment or waiver may materially and adversely affect the implementation of the Project.

B. Anti-Corruption

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

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. (a) The Recipient (through the Technical Secretariat) 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 calendar quarter, and shall be furnished to the Association not later than two 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:
 - ③ Budget Preparation: Throughout Project implementation, the aggregate allocation of resources to priority sectors will be in compliance with the July 2006 MOU (70% of total expenditures excluding debt service, but including capital spending and externally financed expenditure) or with the principles set forth within the future petroleum revenue management mechanism established with the support of the donor community
 - ③ Budget Execution: The aggregate expenditure outturn for priority sectors compared to the original approved budget shall improve during Project implementation, and the difference between the two shall not deviate more than 12% in 2008, 10% in 2009, 8% in 2010 and 5% from 2011 (for expenditure financed with domestic resources).
 - ③ Budget Supervision: Quarterly budgetary and financial reports including all items of budget estimates and covering expenditure at both commitment and payment stages are regularly produced in a timely manner by the Budget Directorate and the Treasury Directorate (issued within 4 weeks after end of period, by end 2012).
 - ③ Financial Responsibility: (i) The Treasury annual financial accounts (*Comptes de Gestion du Trésor*, in French) are produced and submitted to the Chamber of Accounts in timely manner (end May) from May 2010; (ii) and annual budget execution law (*Loi de règlement*, in French) is submitted to

Parliament, in conformity with legal provisions, from 2010 fiscal year (September 2011).

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, 2013.

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 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 under the Project Preparation Advance was made. The audited Financial Statements for each such period shall be furnished to the Association not later than six months after the end of such period.

Section III. Procurement

A. General

1. **Goods.** All goods 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

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods.** 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 |

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 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) Least Cost Selection (LCS) |
| (b) Selection Based on Consultant Qualifications(CQS) |
| (c) Quality Based Selection (QBS) |
| (d) Selection Under a Fixed Budget (FBS) |
| (e) Individual Consultants (IC) |
| (f) Single Source Selection (SSS) |

D. Review by the Association of Procurement Decisions

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) the first 5 contracts for goods procured on the basis of National Competitive Bidding; (b) each contract for goods estimated to cost the equivalent of \$250,000 or more procured on the basis of International Competitive Bidding; (c) each contract for consultants' services provided by a firm estimated to cost the equivalent of \$100,000 or more and the first 3 contracts for consultants' services provided by a firm estimated to cost less than \$100,000; (e) each contract for consultants' services provided by a firm procured on the basis of Single Source Selection; (f) each contract for individual consultants' services estimated to cost the equivalent of \$50,000 or more; and (g) each contract for individual consultants' services 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 Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

| Category | Amount of the Grant Allocated (expressed in SDR) | Percentage of Expenditures to be Financed |
|---|---|---|
| (1) Goods for the Project | 660,000 | 100 |
| (2) Consultants' services | 3,100,000 | 100 |
| (3) Training | 1,350,000 | 100 |
| (4) Operating Costs | 400,000 | 100 |
| (5) Refund of Project Preparation Advance | 660,000 | Amount payable pursuant to Section 2.07 of the General Conditions |
| (6) Unallocated | 530,000 | 100 |
| TOTAL AMOUNT | 6,700,000 | |

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.
2. The Closing Date is December 31, 2012.

Section V. Other Undertakings

- A.** The Technical Secretariat shall prepare and submit to the Association no later than November 15 of each year the annual work program for the PAMFIP, including the activities of the Project, which shall be satisfactory to the Association.
- B.** The Recipient shall: (i) prepare and submit to the Association and the Steering Committee for their approval no later than September 30 of each year the annual work program for the PAMFIP that will not be financed by the donors; (ii) budget such annual amount not financed by the donors in its draft annual Budget; and (iii) ensure the availability of such annual budgeted amount for the APMFIP activities.

- C.** IGF shall ensure the internal financial control of the Project throughout Project implementation and prepare and submit to the Association quarterly reports regarding such internal financial control.
- D.** The MoF shall ensure the coordination of the donors involved in the implementation of the PAMFIP.

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. “*Cellule Informatique*” means the division of the MoF in charge of the implementation and maintenance of the integrated financial management information system of the MoF.
4. “Chamber of Accounts” or “*Chambre des Comptes*” means the Chamber which is in charge of auditing the Recipient’s public financial statements, and which is currently a branch of the Supreme Court of the Recipient.
5. “*Collège*” means the *Collège de Contrôle et de Surveillance des Revenus Pétroliers* set up by *Décret N. 240/PR/MEF/03 portant organisation, fonctionnement et conditions du contrôle et de surveillance du Collège de Contrôle et de Surveillance des Ressources Pétrolières*.
6. “*Comptes de Gestion du Trésor*” means the Treasury’s annual financial accounts referred to referred in Title V of the *Loi Organique relative aux Lois de Finances No 62-11*, dated May 11, 1962.
7. “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.
8. “DAAFMs” means the *Directions des Affaires Administratives, Financières et des Marchés*, the Procurement, Administrative and Financial Directorates of each Ministry of the Recipient.
9. “DGB” means the *Direction Générale du Budget*, the Recipient’s Budget Office.
10. “DRH” means Human Resources Management Directorate of the MoF.

11. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006).
12. “General Directorates” means the Recipient’s General Directorate of Budget, General Directorate of Taxes, General Directorate of Customs, General Directorate of Treasury, Finance Controller, Human Resources Management Directorate of the MoF, DAAFM of MoF, INSEED, *Cellule Informatique* of the MoF, IGF.
13. “ICT” means information and communication technology.
14. “IGF” means the *Inspection Générale des Finances*, the internal auditor of the MoF.
15. “INSEED” means *Institut National des Statistiques et des Etudes Economiques*, the Recipient’s National Statistic’s Office.
16. “*Loi de règlement*” means the Recipient’s annual budget execution law referred to in Title V of the *Loi Organique relative aux Lois de Finances No 62-11*, dated May 11, 1962.
17. “MCCGEM” means the *Ministère chargé du Contrôle Général d’Etat et de la Moralisation*, the Recipient’s ministry in charge of governance.
18. “M&E” means monitoring and evaluation.
19. “MoF” means the ministry of the Recipient responsible for finance.
20. “MOU” means the Memorandum of Understanding signed between the Recipient and the World Bank on July 13, 2006.
21. “MSCM” means the Recipient’s Ministry of State Control and Modernization.
22. “PAMFIP” means the Recipient’s action plan for modernization of public financial management, as approved by the Recipient’s High Level Inter-ministerial Committee on July 26, 2005.

23. “PAMFIP Decree” means the *Decree no. 784 PR/PM/MF/06 - portant création, organisation et attributions des organes chargés de la mise en oeuvre du PAMFIP*, dated August 23, 2006.
24. “PAMFIP Steering Committee” means the steering committee established by the PAMFIP Decree to facilitate implementation of the PAMFIP.
25. “PFM” means public financial management.
26. “Priority Ministries” means the ministries in charge of priority sectors as indicated in the July 2006 MOU: Health, Social Affairs, Education (primary, secondary, tertiary programs, and vocational training), Agriculture, Livestock, Environment and Fishing, Water, Civil works and Urbanism, Mine and Energy, Telecommunications and New Technologies, Justice, Supreme Court, High Court of Justice, College, Governance, Human Rights, Decentralization, Solidarity and Microcredit, Petroleum.
27. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006.
28. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated April 12, 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.
29. “Project Implementation Manual” and “PIM” means the manual referred to in Section 5.01(b) of this Agreement, containing, *inter alia*, monitoring and performance indicators, procurement guidelines, bidding procedures, administrative, financial and accounting procedures and other relevant arrangements for carrying out the Project, as the same may be amended from time to time with the approval of the Association, and such term includes any schedules and attachments supplemental to the Project Implementation Manual.
30. “Project Preparation Advance” means the advance referred to in Section 2.07 of the General Conditions, granted by the Association to the Recipient pursuant to the letter agreement Q4930 signed on behalf of the Association on August 31st, 2005 and on behalf of the Recipient on September 12th, 2005.
31. “PRSP” means the Poverty Reduction Strategy Paper of the Recipient dated June 2003.

32. “Technical Secretariat” means the technical secretariat set up by the PAMFIP Decree, within the MoF to facilitate implementation of the PAMFIP.