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CREDIT NUMBER 4477-CM

# Financing Agreement

(Environmental and Social Capacity Building for the Energy Sector Project)

between

THE REPUBLIC OF CAMEROON

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated October 30, 2008

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**CREDIT NUMBER 4477-CM**

**FINANCING AGREEMENT**

AGREEMENT dated October 30, 2008, entered into between THE REPUBLIC OF CAMEROON (“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.

**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 twelve million three hundred thousand Special Drawing Rights (SDR 12,300,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 February 15 and August 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 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 Components 1 and 2 through MINEP, and Component 3 through MINEE, 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 —EFFECTIVENESS; TERMINATION**

4.01. The Additional Conditions of Effectiveness consist of the following:

- (a) The Recipient has adopted a Project Implementation Manual and a Project Administrative, Financial and Accounting Manual which include an annex on financial and accounting procedures and an annex on procurement procedures, all in form and substance satisfactory to the Association;
- (b) The Recipient has designated or recruited within the MINEP a national coordinator, a monitoring and evaluation officer, a procurement specialist, a financial management specialist, and an accountant, with experience and pursuant to terms of reference satisfactory to the Association in accordance with the provisions of Section III of Schedule 2 to this Agreement;
- (c) The Recipient has prepared the terms of reference satisfactory to the Association for the recruitment of an external auditor, employed pursuant to terms of reference satisfactory to the Association and in accordance with the provisions of Section III of Schedule 2 to this Agreement;
- (d) The Recipient has purchased and installed an appropriate financial management software, and trained staff of the Environmental Unit in its utilization.

- 4.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 4.03. 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] years after the date of this Agreement.

**ARTICLE V — REPRESENTATIVE; ADDRESSES**

- 5.01. The Recipient's Representative is the Minister at the time in charge of Economy, Planning and Regional Development.
- 5.02. The Recipient's Address is:

Ministry of Economy Planning and Regional Development  
Yaoundé  
Republic of Cameroon

Cable address:	Facsimile:
MINEPAT	(237) 22 22 15 09

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

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

**REPUBLIC OF CAMEROON**

**By /s/ Louis Paul Motazé**

**Authorized Representative**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**By /s/ Mary Barton-Dock**

**Authorized Representative**

## **SCHEDULE 1**

### **Project Description**

The objective of the Project is to improve the management of and accountability for environmental and social issues related to large infrastructure investments with an initial focus on the energy sector.

The Project consists of the following parts:

#### **Component 1: Strengthening MINEP**

Strengthen the Ministry in charge of the environment to fulfill its mandate to define, monitor and control environmental and social obligations of large infrastructure project, in compliance with the Environmental Law and its implementation decrees, through (i) the provision of technical expertise in the application of environmental regulations, (ii) the preparation of sectoral guidelines for the electricity, mining and transport sectors, (iii) harmonization of national environmental standards and procedures with international best practices, and (iv) the development of capacity and procedures to manage the EA process and to verify compliance, either directly or through a delegation of authority to sector ministries; all through the provision of technical assistance, goods, equipment, Operating Costs and Training.

#### **Component 2: Establishing frameworks to manage social externalities associated with large infrastructure projects**

1. Strengthen the Min Santé, MinCulture, MinAs and MinDaf, through
  - (i) building capacity of the MinAs to ensure the protection of marginalized populations, including Indigenous Peoples, and provide assistance to FEDEC through the MinAs;
  - (ii) building capacity within MinDaf to harmonize the national legislation on involuntary resettlement and land issues,
  - (iii) building capacity within the Min Santé to mitigate the health impacts of large infrastructure projects;
  - (iv) building capacity of the Min Culture to monitor the impacts of large infrastructure projects on physical cultural resources;

all through the provision of technical assistance, goods, equipment, the Ekounou Works, and Training.

2. Strengthen the capacity of CSOs to serve as intermediaries for the concerns of civil society, and as sentries to ensure the full implementation of national environmental and social regulations, all through the provision of technical assistance, and training.

### **Component 3: Strengthening the Environmental Unit in MINEE**

Supporting the Environmental Unit in the Ministry of Energy and Water to ensure that the environmental and social issues arising from large energy sector infrastructure projects are addressed in compliance with international best practices to: (i) monitor and advise promoters on the preparation of environmental assessments and audits and environmental management plans and environmental impact assessments for energy sector infrastructure projects, prior to their submission to the Ministry of Environment for its review, (ii) provide in depth reviews for energy sector project environmental impact assessments when submitted by promoters, (iii) participate in monitoring the implementation of agreed management plans approved by the Ministry of Environment, (iv) contribute to the preparation of environmental and social sectoral guidelines for the electricity sector, (v) oversee the preparation of a Strategic Environmental Assessment for the Energy Sector and (vi) organize a consultation platform between civil society, operators and the Recipient regarding the development of the energy sector; all through the provision of technical assistance, Small Works and training.



**SCHEDULE 2****Project Execution****Section I. Implementation Arrangements****A. Institutional Arrangements****MINEP**

- (a) The Recipient shall maintain, throughout Project implementation, MINEP in form and substance and with functions and resources satisfactory to the Association, including staff with qualifications, experience, and terms of reference satisfactory to the Association and recruited in accordance with the provisions of Section III of this Schedule 2, including the personnel listed in Section 4.01 (b) of this Agreement.
- (b) The MINEP shall be responsible for (i) the overall coordination of the implementation of the Project, (ii) the implementation of the activities under Component 1 of the Project, (iii) the fiduciary aspects of Component 2, (iv) the consolidation and submission to the Association of quarterly and yearly Project progress reports and yearly work plans, and (v) the preparation of the mid-term review.

**MinAS**

- (a) The Recipient shall maintain, throughout Project implementation, MinAS in form and substance and with functions and resources satisfactory to the Association, including two focal points with qualifications, experience, and terms of reference satisfactory to the Association and designated in accordance with the provisions of Section III of this Schedule 2.
- (b) MinAS shall be responsible for
  - (i) the implementation of the activities under Component 2.1 (i) of the Project; and

- (ii) the preparation and communication to MINEP of quarterly and yearly Project progress reports on such activities.

MinDAF

- (a) The Recipient shall maintain, throughout Project implementation, MinDAF in form and substance and with functions and resources satisfactory to the Association, including two focal points with qualifications, experience, and terms of reference satisfactory to the Association and designated in accordance with the provisions of Section III of this Schedule 2.
- (b) MinDAF shall be responsible for:
  - (i) the implementation of the activities under the component 2.1(ii) of the Project, and
  - (ii) the preparation and communication to MINEP of quarterly and yearly Project progress reports on such activities.

MinSanté

- (a) The Recipient shall maintain, throughout Project implementation, MinSanté in form and substance and with functions and resources satisfactory to the Association, including two focal points with qualifications, experience, and terms of reference satisfactory to the Association and designated in accordance with the provisions of Section III of this Schedule 2.
- (b) MinSanté shall be responsible for:
  - (i) the implementation of the activities under the component 2.1(iii) of the Project, and
  - (ii) the preparation and communication to MINEP of quarterly and yearly Project progress reports on such activities.

MinCulture

- (a) The Recipient shall maintain, throughout Project implementation, MinCulture in form and substance and with functions and resources satisfactory to the Association, including two focal points with qualifications, experience, and terms of reference satisfactory to the Association and designated in accordance with the provisions of Section III of this Schedule 2.
- (b) MinCulture shall be responsible for:
  - (i) the implementation of the activities under the Component 2.1(iv) of the Project, and
  - (ii) the preparation and communication to MINEP of quarterly and yearly Project progress reports on such activities.

CSOs

- (a) CSOS shall be responsible for:
  - (i) the implementation of the activities under Component 2.2 of the Project; and
  - (ii) the preparation and communication to MINEP of quarterly and yearly Project progress reports on such activities.

MINEE

- (a) The Recipient shall maintain, throughout Project implementation, the Environmental Unit within MINEE in form and substance and with functions and resources satisfactory to the Association, including two focal points with qualifications, experience, and terms of reference satisfactory to the Association and designated in accordance with the provisions of Section III of this Schedule 2.
- (b) MINEE shall be responsible for (i) the implementation of the activities under Component 3 of the Project through its Environmental Unit, (ii) the preparation and communication to MINEP of quarterly and yearly

Project progress reports on Component 3 of the Project, and (iii) the financial management and procurement of Component 3 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.

**C. Manual**

Except as the Association shall otherwise agree, the Recipient shall: (i) carry out the Project in accordance with the Project Implementation Manual and the Project Administrative, Financial, and Accounting Manual, and (ii) except as the Association shall otherwise agree, not amend, abrogate, or waive in writing, or permit to be amended, abrogated, or waived, the aforementioned, or any provision thereof.

**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 calendar quarter, and shall be furnished to the Association not later than 45 days 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:
  - % of large infrastructure projects (dams, power stations, power lines) in the energy sector (excluding oil/gas and pipelines) approved each year that comply with international best practices and standards for the management of environmental and social issues.
  - % of existing energy sector facilities (including power plants, dams and transmission lines) for which all environmental and

social impacts have been addressed (through implementation of agreed mitigation actions, issuance of permits and/or fines, etc.).

- % of facilities for which annual environmental performance report certified as compliant by MinEP with EMP.
  - % of key targeted domestic stakeholders (including local governments, NGOs, and journalists) with satisfactory understanding of norms and standards in matters of environmental and social diligence of large projects (as evidenced by response to survey questionnaire).
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 September 30, 2014.

**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. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association 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. 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 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 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:

<b>Procurement Method</b>
(a) <i>National Competitive Bidding</i>
(b) <i>Shopping</i>
(c) <i>Limited International Bidding</i>
(d) <i>Direct Contracting</i>

**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.

<b>Procurement Method</b>
(a) <i>Quality Based Selection</i>
(b) <i>Selection under a Fixed Budget</i>
(c) <i>Least Cost Selection</i>
(d) <i>Selection Based on Consultant’s qualifications</i>
(e) <i>Single Source Selection</i>
(f) <i>Individual Consultants</i>

**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) each contract for works estimated to cost the equivalent of \$500,000 or more; (b) each contract for goods estimated to cost the equivalent of \$200,000 or more; (c) the first three contracts for goods and works procured under National Competitive Bidding through each implementing unit; (d) all contracts for goods and works procured under Direct Contracting; (e) each contract for consultants’ services provided by a firm estimated to cost the equivalent of \$100,000 or more; (f) each contract for individual consultant services estimated to cost the equivalent of \$50,000 or more; (g) each contract for consultant services procured under Single Source Selection; (h) the first three contracts for consultant services provided by a firm through each implementing unit; and (i) the first three contracts for individual consultant services through each implementing unit. 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 (a) repay the Project Preparation Advance in accordance with Section 2.07 of the General Conditions; and (b) 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:

<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) Goods, Operating Costs, and Training under Part 1 of the Project	4,400,000	100%
(2) Goods, services and Training under Part 2 of the Project	5,200,000	100%
(3) Services, Small Works and Training under Part 3 of the Project	1,500,000	100%
(4) Ekounou Works under Part 2 of the Project	200,000	
(5) Refund of Project Preparation Advance	400,000	Amount payable pursuant to Section 2.07 of the General Conditions
(6) Unallocated	600,000	100%
<b>TOTAL AMOUNT</b>	<b>12,300,000</b>	

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
  - (a) for payments made prior to the date of this Agreement
  - (b) under Category (3) unless the ESDP Project has been declared effective by the Association; and
  - (c) under Category (4) unless an ESIA and, if applicable, an EMP for the Ekounou Works have been prepared and disclosed in form and substance satisfactory to the Association, as confirmed in writing by the Association.



2. The Closing Date is March 31, 2014.

**Section V. Other Undertakings**

1. No later than four months after the Effective Date, the Recipient shall have recruited independent auditors satisfactory to the Association.
  
2. Mid-term review

No later than 30 months after the Effective date, or such later date as may be agreed upon by the Recipient and the Association, the Recipient and the Association shall carry out a mid term review of the Project, covering the progress achieved in the implementation of the Project. The Recipient shall prepare under terms of reference satisfactory to the Association, and furnish to the Association about three months prior to the beginning of such mid term review of the Project, a report integrating the results of the monitoring and evaluation activities performed pursuant to this Agreement, on the progress achieved in the carrying out of the Project during the period preceding the date of such report, and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives of the Project during the period following such date.

**SCHEDULE 3****Repayment Schedule**

<b>Date Payment Due</b>	<b>Principal Amount of the Credit repayable (expressed as a percentage)*</b>
On each of February 15 and August 15:	
commencing on August 15, 2018 to and including February 15, 2028	<b>1</b>
commencing August 15, 2028 to and including February 15, 2048	<b>2</b>

\* 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.
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. “CSO” means civil society organizations.
5. “EA Decree” means the Decree No. 2005/0577/PM of the Recipient, dated February 23, 2005 regarding the modalities for preparation of environmental assessment audits.
6. “Ekounou Works” means the proposed rehabilitation and extension of the existing archeological artifact storage facility at Ekounou that is the property of the Department of Cultural Heritage in the Ministry of Culture.
7. “Energy Infrastructure Projects” means large infrastructure projects involving the construction of dams, power stations and/or power lines in the energy sector.
8. “Environmental Law” means the law of the Recipient No.96/12, dated August 5, 1996.
9. “ESDP Project” means the IDA Energy Sector Development Project, in preparation to support the development of the Recipient’s energy sector.
10. “Environmental Unit” means the unit created within the MINEE pursuant to the *Arrêté* No. 013, dated February 13, 2008.
11. “Environmental and Social Impact Assessment” or “ESIA” means the document to be prepared and adopted by the Recipient containing the analysis of and

mitigating measures for potential environmental and social impacts of the Ekounou Works to be implemented under the Project.

12. “Environmental Management Plan” or “EMP” means the document prepared and adopted by the Recipient containing the mitigating measures for potential environmental and social impacts of the Ekounou Works to be implemented under the Project.
13. “FEDEC” means the Foundation for Environment and Development in Cameroon.
14. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006).
15. “MinAS” means *Ministère des Affaires Sociales*, the Ministry of the Recipient responsible for social affairs.
16. “MinCulture” means *Ministère de la Culture*, the Ministry of the Recipient responsible for culture.
17. “MinDAF” means *Ministère des Domaines et des Affaires Foncières*, the Ministry of the Recipient responsible for land.
18. “MINEE” means *Ministère de l’Energie et de l’Eau*, the Ministry of the Recipient responsible for the energy and water.
19. “MINEP” means *Ministère de l’Environnement et de la Protection de la Nature*, the Ministry of the Recipient responsible for environment.
20. “MinSanté” means *Ministère de la Santé*, the Ministry of the Recipient responsible for health.
21. “Operating Costs” means the incremental expenses incurred by the Recipient on the basis of annual budgets approved by the Association, on account of Project implementation, management, and monitoring, including for office space rental, utilities, and supplies, bank charges, communications, vehicle operation, maintenance, and insurance, building and equipment maintenance, advertising expenses, travel and supervision, salaries and statutory contributions of contractual and temporary staff, but excluding salaries, fees, honoraria, and bonuses of members of the Recipient’s civil service.

22. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006.
23. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated May 17, 2008 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.
24. “Project Administrative, Financial and Accounting Manual” means the manual adopted by the Recipient, which outlines the administrative, financial and accounting and procurement arrangements for the implementation of the Project, as the same may be amended from time to time with the prior written agreement of the Association, and such term includes any schedules to the Project Administrative, Financial and Accounting Manual.
25. “Project Implementation Manual” (*Manuel d’Exécution*) means the manual adopted by the Recipient, outlining implementation, organizational, disbursement, procurement, and environmental and social monitoring and mitigation arrangements, as shall have been agreed with the Association for purposes of Project implementation , as the same may be amended from time to time with the prior written agreement of the Association, and such term includes any schedules or annexes to the Project Implementation Manual, including its annex on procurement procedures.
26. “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 signed on behalf of the Association on April 18, 2008 and on behalf of the Recipient on April 30, 2008 under the reference IDA Q6130.
27. “Small Works” means minor office refurbishment such as painting, plastering and any other small works with the prior written approval of the Association.
28. “Training” means the training of persons involved in Project-supported activities, such term including seminars, workshops, and study tours, and costs associated with such activity include travel and subsistence costs for training participants, costs associated with securing the services of trainers, rental of training facilities, preparation and reproduction of training materials, and other costs directly related to training preparation and implementation.