

**CONFORMED COPY**

**GRANT NUMBER H214-CM**

# **Financing Agreement**

**(West and Central Africa Air Transport Safety and Security Project)**

**between**

**REPUBLIC OF CAMEROON**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated June 2, 2006**

**GRANT NUMBER H214-CM**

**FINANCING AGREEMENT**

AGREEMENT dated June 2, 2006, between REPUBLIC OF CAMEROON (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). The Recipient and the Association hereby agree as follows:

**ARTICLE I — GENERAL CONDITIONS AND 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 ten million two hundred thousand Special Drawing Rights (SDR 10,200,000) 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 April 15 and October 15 of each year.
- 2.05. The Payment Currency is Dollars.

**ARTICLE III — PROJECT**

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall cause the Project to be carried out by the Project

Implementing Entity 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:

The Project Implementing Entity's Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under the Project Agreement.

#### **ARTICLE V — EFFECTIVENESS**

- 5.01. The Additional Conditions of Effectiveness consist of the following:

- (a) The Subsidiary Agreement, in form and substance satisfactory to the Association, has been duly executed on behalf of the Recipient and the Project Implementing Entity.
- (b) The Administrative, Financial and Accounting Manual, in form and substance satisfactory to the Association, has been adopted by the Recipient and the Project Implementing Entity.
- (c) A Designated Account has been established by the Project Implementing Entity in accordance with the provisions of Section 2.04 of the General Conditions.
- (d) An account has been opened by the Project Implementing Entity in a financial institution satisfactory to the Association and under terms and conditions satisfactory to the Association, and an initial deposit of CFA Francs 100,000,000 has been made by the Project Implementing Entity in such account.
- (e) A financial management system, in form and substance satisfactory to the Association, has been established by the Project Implementing Entity.

- (f) A record-keeping system, in form and substance satisfactory to the Association, has been established by the Project Implementing Entity for purposes of Project implementation.
- (g) Project Implementing Entity personnel have been provided training, in form and substance satisfactory to the Association, in financial management and procurement procedures.
- (h) An external auditor with qualifications, experience and terms of reference satisfactory to the Association has been appointed by the Project Implementing Entity in accordance with the provisions of Section III of Schedule 2 to this Agreement.

5.02 The Additional Legal Matter consists of the following:

The Subsidiary Agreement has been duly authorized or ratified by the Recipient and the Project Implementing Entity, and is legally binding upon the Recipient and the Project Implementing Entity, in accordance with its terms.

5.03. The Effectiveness Deadline is the date 120 days after the date of this Agreement.

**ARTICLE VI — REPRESENTATIVE; ADDRESSES**

6.01. The Recipient's Representative is the Minister at the time responsible for economy and finance.

6.02. The Recipient's Address is:

Ministry of Economy and Finance  
Yaoundé  
Republic of Cameroon

Cable:

Telex:

Facsimile:

237-223-37-17

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) or  
64145 (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/ Abah Abah Polycarpe  
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: /s/ Ali Khadr  
Authorized Representative

## SCHEDULE 1

### Project Description

The objective of the Project is to support the Recipient in improving compliance of its civil aviation sector and its international airports with International Civil Aviation Organization (ICAO) safety and security standards.

The Project consists of the following parts:

#### **1. Strengthening of Recipient's sectoral policy and Project Implementing Entity's safety and security oversight capacity**

(a) Strengthening of the Recipient's transport sector policy in the areas of civil aviation and airports through the provision of technical advisory services;

(b) Strengthening of the Project Implementing Entity's safety and security oversight capacity through: (i) improvement of its technical library; and (ii) carrying out of staff training programs to address issues relating to airport and aircraft safety and security; and

(c) Support to implementation of Global Positioning System-based approach procedures for secondary airports through provision of technical advisory services to the Project Implementing Entity.

#### **2. Strengthening of Douala and Yaoundé international airport security standards**

Strengthening of airport safety and security standards at Douala and Yaoundé international airports, including:

(a) Acquisition and installation of security equipment;

(b) Carrying out of training programs for safety and security personnel;

(c) Rehabilitation of access control sites and installation of closed circuit television systems;

(d) Rehabilitation of airport infrastructure, including construction of an airport fence in Douala and Yaoundé, patrol road in Douala, and an alternative access road for use by neighboring population of Yaoundé international airport; and

(e) Support to rehabilitation of Douala international airport terminal and runway through provision of technical advisory services for purposes of carrying out of design studies in respect thereof.

### **3. Environmental and Social Protection**

(a) Implementation of the Resettlement Action Plans relating to the carrying out of activities under Part 2 (d) of the Project.

(b) Support to carrying out of an environmental and social impact study relating to activities under Part 2 (d) of the Project through provision of technical advisory services.



**SCHEDULE 2****Project Execution****Section I. Subsidiary Financing; Institutional and Other Arrangements****A. Subsidiary Agreement**

1. To facilitate the implementation of the Project by the Project Implementing Entity, the Recipient shall make the proceeds of the Financing available to the Project Implementing Entity on a grant basis under a subsidiary agreement between the Recipient and the Project Implementing Entity, under terms and conditions approved by the Association (“Subsidiary Agreement”).
2. The Recipient shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

**B. Institutional Arrangements**

1. Steering Committee: The Recipient shall maintain, at all times during Project implementation, a Steering Committee which shall be responsible for supervision of Project implementation. To this end, the Steering Committee shall be comprised of representatives of: (i) the ministry at the time responsible for transport, one of whom shall serve as Chair; (ii) the ministry at the time responsible for economy and finance; (iii) the *Caisse Autonome d’Amortissement*; (iv) the ministry at the time responsible for planning; (v) senior technical staff of the Project Implementing Entity; and (vi) senior technical staff of *Aéroports du Cameroun*.
2. Project Implementing Entity: The Recipient shall maintain at all times during Project implementation, the Project Implementing Entity, which shall be responsible for Project implementation. To this end, the Recipient shall maintain the Project Implementing Entity in form and substance and with resources and functions satisfactory to the Association.
3. Project Implementation Team: The Recipient shall maintain within the Project Implementing Entity, at all times during Project implementation, the Project Implementation Team, which shall be responsible for day to day Project implementation. To this end, the Recipient shall maintain the Project

Implementation Team in form and substance and with resources and functions satisfactory to the Association, including staff from the Project Implementing Entity and *Aéroports du Cameroun*, all with qualifications, experience and terms of reference satisfactory to the Association.

**C. Execution Covenants**

1. Project Implementation Plan and Administrative, Financial and Accounting Manual: The Recipient shall ensure, and shall cause the Project Implementing Entity to ensure, that the Project is implemented in accordance with the provisions of the Project Implementation Plan and the Administrative, Financial and Accounting Manual and, except as the Association shall otherwise agree, the Recipient shall not amend or waive, or permit to be amended or waived, any provision of the aforementioned documents if such amendment or waiver may, in the opinion of the Association, materially or adversely affect Project implementation.
2. Resettlement Action Plans: The Recipient shall ensure, and shall cause the Project Implementing Entity to ensure, that the Project is implemented in accordance with the provisions of the Resettlement Action Plans and, except as the Association shall otherwise agree, the Recipient shall not amend or waive, or permit to be amended or waived, any provision of the aforementioned plans if such amendment or waiver may, in the opinion of the Association, materially or adversely affect Project implementation.

**Section II. Project Monitoring, Reporting, Evaluation**

**A. Project Reports**

1. (a) The Recipient shall monitor and evaluate the progress of the Project and cause the Project Implementing Entity to 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 quarter, and shall be furnished to the Association no 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:

(i) Part 1 of the Project

- (A) By the Closing Date, the compliance rate of the Project Implementing Entity with ICAO safety standards has increased from 70% to at least 90%.
- (B) By the Closing Date, the compliance rate of the Project Implementing Entity with ICAO security standards has increased from 30% to at least 75%.
- (C) By the Closing Date, the proportion of technical personnel of the Project Implementing Entity complying with ICAO safety standards has increased from 45% to 100%.
- (D) By the Closing Date, the proportion of ICAO-certified security inspectors employed by the Project Implementing Entity has increased from 25% to at least 75%.
- (E) By the Closing Date, the budget of the Project Implementing Entity has increased to at least \$6,000,000, with at least \$900,000 being allocated to security activities.

(ii) Part 2 of the Project

- (A) By the Closing Date, the proportion of Douala and Yaoundé international airport security personnel with at least three (3) years of experience has increased from 20% to at least 60%.
- (B) By the Closing Date, the number of serious problems recorded during annual crisis simulation exercises at Douala and Yaoundé international airports has decreased to less than three (3).
- (C) By the Closing Date, the rate of seizure of illegal objects (as defined by the ICAO) from passengers by airline security personnel at Douala and Yaoundé international airports has decreased to less than 2%.

**B. Financial Management, Financial Reports and Audits**

1. The Recipient shall maintain or cause to be maintained by the Project Implementing Entity 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 as part of the Project Report no later than 45 days after the end of each calendar quarter, interim un-audited financial reports for the Project covering that 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 (1) Fiscal Year. The audited Financial Statements for each such period shall be furnished to the Association no 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 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 Schedule.
2. **Consultants' Services.** All consultants' services required for the Project 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:

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

<b>Procurement Method</b>
(a) Least Cost Selection
(b) Consultant's Qualifications
(c) Direct Contracting
(d) Individual Consultants

**D. Review by the Bank of Procurement Decisions**

The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. 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 this Section and such additional instructions as the Association may specify by notice to the Recipient, 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:

	<b>Category</b>	<b>Amount of the Financing Allocated (Expressed in SDR)</b>	<b>Percentage of Expenditures to be Financed</b>
(1)	Goods	2,200,000	100
(2)	Works	3,850,000	100
(3)	Consultants’ services	2,950,000	100
(4)	Training	500,000	100
(5)	Unallocated	700,000	
	<b>TOTAL AMOUNT</b>	<b>10,200,000</b>	

**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, except that withdrawals up to an aggregate amount not to exceed SDR 510,000 equivalent may be made for payments made prior to this date but on or after January 1, 2006, for Eligible Expenditures under Categories (1), (3) and (4).
2. The Closing Date is December 31, 2009.

**Section V. Other Undertakings**

The Recipient shall:

1. Cause the Project Implementing Entity to submit to the Association, from the Effective Date onward and throughout Project implementation, quarterly reports, in form and substance satisfactory to the Association, containing information relating to the rate of seizure of illegal objects (as defined by the ICAO) from passengers by airline security personnel.

2. Cause the Project Implementing Entity to appoint a financial auditor, with qualifications, experience and terms of reference satisfactory to the Association, no later than 30 days after the Effective Date.
3. Cause the Project Implementing Entity to submit to the Association, prior to the signing of works contracts under Part 2 (d) of the Project, a social and environmental impact study, in form and substance satisfactory to the Association, relating to implementation of activities under said Part of the Project.
4. Cause the Project Implementing Entity to submit to the Association a report, in form and substance satisfactory to the Association, on the use of the Recipient's Airport Security Fee, no later than three (3) months after the end of each Fiscal Year.
5. Cause the Project Implementing Entity to submit to the Association no later than six (6) months after the end of each Fiscal Year, a report, in form and substance satisfactory to the Association, relating to the finances of the Project Implementing Entity over that Fiscal Year. This report shall include statements of revenues collected and expenditures incurred and shall detail the percentage of expenditures used for safety and security activities.
6. Cause the Project Implementing Entity to submit to the Association, no later than four (4) months after each of the Recipient's annual airport-crisis simulation exercises, a report, in form and substance satisfactory to the Association, describing the results of such exercise, as well as ICAO-certified experts' comments on said report. The Recipient shall carry out the first annual airport-crisis simulation exercise no later than September 30, 2007.
7. Cause the Project Implementing Entity to submit to the Association, no later than 18 months after the Effective Date and six (6) months prior to the Closing Date, ICAO safety and security audit reports.
8. Ensure that the National Security Committee shall meet at least every six (6) months.

**APPENDIX****Definitions**

1. “Administrative, Financial and Accounting Manual” means the manual outlining administrative, financial and accounting procedures and guidelines, adopted by the Recipient in accordance with Section 5.01 (b) of this Agreement, as shall have been agreed with the Association for purposes of Project implementation, as the same may be amended from time to time in consultation with the Association, and such term includes any annexes thereto.
2. “*Aéroports du Cameroun*” means the private company established on May 23, 2000 pursuant to the Recipient’s laws and operating under the same.
3. “Airport Security Fee” means the fee levied by the Recipient for purposes of financing acquisition, operation and maintenance of airport security equipment and infrastructure, and payable by passengers using any of the Recipient’s airports.
4. “*Caisse Autonome d’Amortissement*” (Independent Amortization Fund) means the Recipient’s entity established pursuant to the Recipient’s Decree No. 85/1176 of August 28, 1985, and which is responsible for management of the Recipient’s debt as well as that of the Recipient’s public and para-public entities.
5. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
6. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004.
7. “Fiscal Year” means the Recipient’s fiscal year beginning on January 1 in any one calendar year and ending on December 31 in the same calendar year.
8. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005.
9. “International Civil Aviation Organization” or “ICAO” means the organization established pursuant to the International Civil Aviation Convention of September 7, 1944, and whose objective is to promote the secure and organized development of international civil aviation across the world.



10. “National Security Committee” means the Recipient’s entity established and operating pursuant to the Recipient’s Presidential Decree No. 2004/185 of July 13, 2004, and which is responsible for civil aviation security.
11. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004.
12. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated March 9, 2006 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.
13. “Project Implementation Plan” means the plan referred to in Section I.C.1 of Schedule 2 to this Agreement and consisting of, *inter alia*, guidelines and procedures, including financial management and procurement procedures, and other administrative, financial and organizational arrangements, as shall have been agreed with the Association for purposes of Project implementation, as the same may be amended from time to time in consultation with the Association, and such term includes any annexes thereto.
14. “Project Implementation Team” means the team referred to in Section I.B.3 of Schedule 2 to this Agreement, established and operating pursuant to the Recipient’s Decision No. 000404/D/CCAA/DG of December 23, 2005.
15. “Project Implementing Entity” means the Cameroon Civil Aviation Authority.
16. “Project Implementing Entity’s Legislation” means the Recipient’s Law No. 98/023 of December 24, 1998 and the Recipient’s Decree No. 99/198 of September 16, 1999.
17. “Resettlement Action Plan” means the plan approved by the Recipient on November 17, 2005 and referred to in Section I.C.2 of Schedule 2 to this Agreement, setting out the principles and procedures governing land acquisition, cultural property protection, environmental protection, and resettlement, compensation and rehabilitation of Affected Persons, as well as administrative, reporting and monitoring arrangements to ensure compliance with said plan, as shall have been agreed with the Association for purposes of Project implementation, as the same may be amended from time to time in consultation with the Association, and such term includes any annexes thereto.
18. “Steering Committee” means the committee referred to in Section I.B.1 of Schedule 2 to this Agreement, established and operating pursuant to the Recipient’s Decision No. 14/D/MINT of August 24, 2004.

19. “Subsidiary Agreement” means the agreement referred to in Section I.A.1 of Schedule 2 to this Agreement pursuant to which the Recipient shall make the proceeds of the Financing available to the Project Implementing Entity.
  
20. “Training” means seminars, workshops and study trips.