

CONFORMED COPY

GRANT NUMBER H277-CD

Financing Agreement

(Urban Development Project)

between

REPUBLIC OF CHAD

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated April 7, 2007

GRANT NUMBER H277-CD

FINANCING AGREEMENT

AGREEMENT dated April 7, 2007, 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 the Financing 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 Special Drawing Rights (SDR 10,000,000) (“Grant”) 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 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 — EFFECTIVENESS; TERMINATION

- 4.01. The Additional Conditions of Effectiveness consist of the following:
- (a) the Project Account has been opened and the initial contribution of FCFA 160 million has been deposited therein;
 - (b) the Recipient has adopted the Project Implementation Manual, and the Project Administrative, Financial and Accounting Manual, both in form and substance satisfactory to the Association; and
 - (c) at least one *Conventions de Maîtrise d'Ouvrage Délégué* and related *Protocole d'Accord*, in form and substance satisfactory to the Association have been executed between the relevant Beneficiary City and the MATUH and the Recipient, respectively.
- 4.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Recipient's Representative is the Minister of the Recipient at the time responsible for the economy and planning.

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

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

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) or 64145 (MCI)	1-202-477-6391

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

THE REPUBLIC OF CHAD

By: */s/ Ousmane Matar Breme*
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: */s/ Geoffrey H. Bergen*
Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to increase sustainable access to municipal services for residents in the Beneficiary Cities.

The Project consists of the following parts:

Component A: Strengthening municipal and urban management capacities

Strengthening of the capacity of the local governments in the Beneficiary Cities to plan and manage the development and the delivery of infrastructure and urban services and to increase their financial resources in order to maintain existing and new infrastructure.

Sub-component A.1: Strengthening urban and municipal management capacities through workshops, technical assistance, studies, training and provision of equipment, in order to (a) improve the internal functioning and organization of municipalities; (b) improve resource mobilization and financial management; (c) improve urban management and planning; (d) improve transparency and accountability of city managers to urban resident; and (e) provide support to community integration and awareness on socio-environmental aspects.

Sub-component A.2: Strengthening the capacities of the central and deconcentrated administration (MATUH, MCD, MAT, MFEP) through the provision of technical support to the municipalities to manage their new Project-related responsibilities.

Component B: Provision of basic urban infrastructure and services

Increasing access to urban infrastructure by implementing activities under the Project, such as (i) drainage, sanitation and rehabilitation of roads; (ii) rehabilitation and extension of the potable water distribution network; and (iii) provision of economic infrastructures such as markets and slaughterhouse.

Sub-component B.1: For the City of N'Djamena: Provision of drainage works for commercial areas in the areas surrounding the Mil market that would complement works financed by AFD.

Sub-component B.2: For the city of Moundou: Provision of works for (i) the extension of the water network and rehabilitation of water pipeline; the construction of equipped

boreholes and the installation of standpipes in densely populated neighborhoods; and (ii) the second phase of drainage works.

Sub-component B.3: For the city of Sarh: Provision of works for (i) the acquisition and installation of network extension; installation of water pipelines, standpipes and construction of new equipped boreholes; and (ii) the second phase of drainage works.

Sub-component B.4: For the city of Abéché: Provision of works for (i) the construction of new equipped boreholes and extension of the water network to new outlying districts, the reinforcement of the water pipeline in the extension zones and installation of standpipes on the network; (ii) drainage works; and (iii) rehabilitation of a slaughterhouse with sanitation facilities and waste management.

Sub-component B.5: For the city of Doba: Provision of works for construction of earth roads and the drainage associated.

Sub-component B.6: M&E, Supervision of Works and Audits: Provision of technical and financial assistance and studies for (i) monitoring and evaluation activities; (ii) environmental and social impact studies that may be required during implementation of component B of the project; (iii) supervision of works; (iv) periodic technical audits for works and contract management procedures; (v) financial audits for the project; and (vi) training activities for the local private sector (SMEs) to strengthen their capacities in works management.

SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

1. The Recipient shall carry out the Project through the project unit (“Implementation Unit”) created within the *Direction de l’Urbanisme* of the MATUH, in accordance with the Project Implementation Manual and the Project Administrative, Financial and Accounting Manual, and except as the Association shall otherwise agree, shall not amend or waive any provision of said Manuals if, in the opinion of the Association, such amendment or waiver may materially and adversely affect the implementation of the Project.
2.
 - (a) The Recipient shall maintain throughout Project implementation the Implementation Unit which shall operate in accordance with the terms of the Implementation Unit *Arrêté*. Except as the Association shall otherwise agree, the Borrower shall not amend, suspend or waive any provision of the Implementation *Unit Arrêté* if, in the opinion of the Association, such amendment or waiver may materially and adversely affect the implementation of the Project;
 - (b) The Recipient shall ensure that implementation of the Project is supervised and coordinated at the national level by the Interministerial Steering Committee which shall operate in accordance with the terms of the Interministerial Steering Committee *Arrêté* and at the local level by the Local Steering Committees which shall operate in accordance with the terms of the Local Steering Committee *Arrêtés*. Except as the Association shall otherwise agree, the Recipient shall not amend, suspend or waive any provision of the *Arrêtés* establishing the Steering Committees if, in the opinion of the Association, such amendment or waiver may materially and adversely affect the implementation of the Project;
 - (c) The Recipient shall sign *Protocoles d’Accord* with each of the Beneficiary Cities, in form and substance satisfactory to the Association, and shall not amend or waive, or permit to be amended or waived, any provision of *the Protocoles d’Accord* if such amendment or waiver may, in the opinion of the Association, materially or adversely affect the implementation of the Project;

- (d) The Recipient shall cause MATUH to enter into agreements (*Conventions de Maîtrise d'Ouvrage Délégué*) with each of the Beneficiary Cities, in form and substance satisfactory to the Association, that shall specify the annual program of activities, implementation procedures, the missions of the implementing agencies, estimates of costs, procurement methods and responsibilities and roles of each of the parties. The Recipient shall not amend or waive, or permit to be amended or waived, any provision of the aforementioned if such amendment or waiver may, in the opinion of the Association, materially or adversely affect Project implementation. The Annual Programs annexed to the *Conventions de Maîtrise d'Ouvrage Délégué* shall be updated at the time of each Annual Review;
- (e) The Recipient shall cause each of the Beneficiary Cities to establish and/or maintain Local Steering Committees to oversee Project implementation at the local level in accordance with the Local Steering Committee *Arrêtés*; and
- (f) The Recipient shall cause the Project Implementing Unit to (i) purchase the necessary computer notebooks with procurement monitoring and management program; (ii) provide training in the use of procurement monitoring and management programs; and (iii) ensure the participation of two procurement specialists in procurement workshops at the specialized regional procurement training centers.

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 agreed with the Association. Each Project Report shall cover the period of one calendar semester, 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:
 - Number of people in targeted cities protected from periodic flooding.

- Number of people in targeted cities having access to drinking water.
 - Number of people having access to the city center via roads that are usable all year.
 - Annual increase in municipalities' own revenues.
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 February 28, 2012.

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 un-audited 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 Schedule.
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 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:

Procurement Method
(a) National Competitive Bidding
(b) Three quotations
(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 Under Fixed Budget (FBS)
(c) Selection Based on the Consultants' Qualifications (CQS)
(d) Single Source Selection
(e) Individual Consultants

D. Review by the Association of Procurement Decisions

1. 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 \$300,000 or more procured on the basis of International Competitive Bidding; (b) the first five contracts for works or goods procured on the basis of National Competitive Bidding; (c) each contract for goods estimated to cost the equivalent of \$200,000 or more procured on the basis of International Competitive Bidding; (d) each contract for consultants' services provided by a firm estimated to cost the equivalent of \$100,000 or more and the first three 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; (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. 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 other 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 Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of Grant Allocated (in DTS)	% of expenditures to be Financed
1. Works		
Component B	4,460,000	40 %
2. Goods and equipment		100 %
	310,000	
3. Consultant services and training	3,300,000	100 %
4. Operating Costs under A.2(a)(vii) of the Project	800,000	100 %
5. Unallocated	1,130,000	
TOTAL	10,000,000	

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, except that withdrawals up to an aggregate amount not to exceed \$100,000 equivalent may be made for payments made prior to this date but on or after January 31, 2007, for Eligible Expenditures; or
 - (b) for payments made for expenditures under Category 1 of the table set forth in paragraph A.1 of this Schedule with respect to activities to be implemented in a specific Beneficiary City unless the Association is furnished with evidence that the appropriate *Convention de Maîtrise d'Ouvrage Délégué* and *Protocole d'Accord* for such city have been executed by such relevant Beneficiary City and the MATUH and the Recipient, respectively.
2. The Closing Date is October 30, 2011

APPENDIX

Section I. Definitions

1. “Beneficiary Cities” means N’Djamena, Moundou, Sarh, Abéché and Doba.
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.
4. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005.
5. “Implementation Unit *Arrêté*” means the *Arrêté* No. 001/MATUH/SG/2007 portant création d’une Cellule de Coordination du Projet d’Appui du Développement Urbain, creating the Implementation Unit.
6. “Interministerial Steering Committee *Arrêté*” means the *Arrêté* No. 2810/PR/PM/2006 creating the Interministerial Steering Committee.
7. “Local Steering Committee *Arrêtés*” means each of the *Arrêtés* No. 0266/M/SG/2005, No. 18/MAT/RMC/SG/05, No. 015/ROD/SG/CAB/2005, No. 032/MAT/R-LOR/SG/2005, and No. 001/RLOC/SG/2006, creating the Local Steering Committees.
8. “MATUH” means the Ministry of Land Planning, Urban Development and Housing of the Recipient.
9. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004.
10. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated November 16, 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.

11. “Project Account” means the account opened by the Recipient in a commercial bank on terms and conditions satisfactory to the Association to deposit the Recipient’s counterpart funds.
12. “Project Administrative, Financial and Accounting Manual” means the Project-specific manual outlining the administrative, financial and accounting arrangements for the implementation of the Project, referred to in Section 4.01 (b) of this Agreement, as the same may be amended from time to time, and such term includes any schedules to the Project Administrative, Financial and Accounting Manual.
13. “Project Implementation Manual” and “PIM” means that the manual referred to in Section 4.01(b) of this Agreement,, containing, *inter alia*, monitoring and performance indicators, procurement guidelines, bidding 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.
14. “*Protocoles d’Accord*” means the agreements entered into between the Recipient and each of the Beneficiary Cities specifying the roles and responsibilities of the Beneficiary Cities, the line ministries and the Recipient and the policy reforms to be undertaken by each party.