

CONFORMED COPY

GRANT NUMBER H302-COB

Financing Agreement

(Agricultural Development and Rural Roads Rehabilitation Project)

between

REPUBLIC OF CONGO

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated September 6, 2007

GRANT NUMBER H302-COB

FINANCING AGREEMENT

AGREEMENT dated September 6, 2007, entered into between REPUBLIC OF CONGO (“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 thirteen million five hundred thousand Special Drawing Rights (SDR 13,500,000) (“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 April 1 and October 1 in each year.
- 2.06. 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 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 established the PCU, with functions, responsibilities and qualified staff in adequate numbers, all satisfactory to the Association.
 - (b) The Recipient has recruited: (i) a Financial Manager; and (ii) the Auditors referred to in Section II B of Schedule 2 to this Agreement, all in accordance with the provisions of Section III. C of Schedule 2 to this Agreement.
 - (c) The Recipient has: (i) adopted the PIM in form and substance satisfactory to the Association; and (ii) enhanced its financial management system referred to in Section II B of Schedule 2 to this Agreement in a manner satisfactory to the Association.
 - (d) The Recipient has deposited an initial amount equivalent to \$2,000,000 into the Project Account referred in Section 1 A. 2 of Schedule 2 to this Agreement.
- 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 at the time responsible for finance.

5.02. The Recipient's Address is:

Ministry of Economy, Finance and Budget
B.P. 2083
Brazzaville
Republic of Congo

Facsimile: (242) 814 145

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 Brazzaville, Congo, as of the day and year first above written.

REPUBLIC OF CONGO

By /s/ Pacifique Issoibeka

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Midou Ibrahima

Authorized Representative

SCHEDULE 1

Description of the Project

The objective of the Project is to enhance the Recipient's capacity to formulate and implement agricultural policies aimed at reducing poverty in the Recipient's rural areas namely by: (a) generating and disseminating improved agricultural technologies; (b) developing adequate market infrastructures; and (c) preparing and implementing poverty-focused budget and expenditure programs.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

1. Enhancement of Technical Capacity and Expertise in MAEP

Strengthening MAEP's capacity to: (a) formulate adequate sectoral policies; (b) plan and execute sectoral expenditure programs efficiently; and (c) monitor implementation of the same with required diligence and efficacy.

2. Rural Infrastructure and Roads Rehabilitation

(a) Rehabilitation of about 1,300 km of rural roads and waterways in the Project Areas; and (b) rehabilitation of existing market infrastructures or construction of new ones including fisheries landing and trade halls, collection and storage centers, and market halls for agro-pastoral and fishery products and other tradable commodities.

3. Support for Productive Investments and Sustainable Livelihoods in Rural Areas

(a) Development and dissemination of improved agro-pastoral and fishery techniques including: (i) rehabilitation of two seedlings centers, and one fish farming station; (ii) development and establishment of a pilot market information system; and (iii) training and acquisition of necessary inputs and equipment for agro-pastoral and fishery activities.

(b) Provision of technical advisory services and training to producers' associations and community-based organizations aimed at: (i) strengthening technical and business management capacity for their members; (ii) establishing mechanisms designed to facilitate access to micro-credit for their members; and (iii) increasing productivity and enhancing their members' capacity to generate greater income.

- (c) Establishment of a micro-finance mechanism to provide matching grants to small-scale producers to support activities aimed at producing, processing and warehousing agro-pastoral and fishery products.

4. Project Coordination and Management

Acquisition of technical advisory services and provision of equipment required to strengthen technical, managerial and monitoring and evaluation capacity in the PCU.

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

1. The Recipient shall maintain the PCU throughout Project implementation in form and substance and with resource, functions and staff in adequate numbers and with qualifications satisfactory to the Association, all as further detailed in the PIM.
2. The Recipient shall: (a) open and thereafter maintain the Project Account in a commercial bank under terms and conditions acceptable to the Association; (b) deposit into the Project Account an initial amount equivalent to \$2,000,000; and (c) deposit by April 1 and by October 1 of each calendar year during the Project implementation period an additional annual amount equivalent to \$2, 250,000.

B. Anti-Corruption

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

C. Micro-Projects**1. General**

The Recipient shall make Micro-Project Grants to Beneficiaries in accordance with eligibility criteria and procedures set forth in the PIM.

2. The Recipient shall make each Micro-Project Grant under a Micro-Project Grant Agreement with the respective Beneficiary on terms and conditions approved by the Association, which shall include the following:
 - (a) The Grant shall be made in CFAF on grant basis.
 - (b) The Recipient shall obtain rights adequate to protect its interests and those of the Association, including the right to require each Beneficiary to:
 - (A) carry out its Micro-Project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, and

environmental practices satisfactory to the Association, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Recipient;

(B) provide, promptly as needed, the resources required for the purpose;

(C) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Association, the progress of the Micro-Project and the achievement of its objectives;

(D) (1) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations, resources and expenditures related to the Micro-Project; and (2) at the Association's or the Recipient's request, have such financial statements audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the statements as so audited to the Recipient and the Association;

(E) enable the Recipient and the Association to inspect the Micro-Project, its operation and any relevant records and documents; and

(F) prepare and furnish to the Recipient and the Association all such information as the Recipient or the Association shall reasonably request relating to the foregoing.

3. The Recipient shall exercise its rights under each Micro-Project Grant 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 any Micro-Project Grant Agreement or any of its provisions.

D. Environmental and Social safeguards

The Recipient shall carry out the Project in accordance with the provisions of the Environmental and Social Management Framework, the Resettlement Policy Framework, and the Pest Management Plan, and shall not, except as the Association shall otherwise agree, amend or waive any provision of the aforementioned if such amendment or waiver may, in the opinion of the Association, adversely and materially affect Project implementation.

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 one 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:
 - (i) The average income of project beneficiaries has increased by at least 10% by end of project.
 - (ii) At least 30% of producers in the Project Areas have adopted one or more element of the technology package on a sustained basis by end of project.
 - (iii) The rate of execution of its budgetary allocations by MAEP has increased from 45% to at least 80% by end of the Project.
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. 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 not later than one month 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 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 National Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

<u>Procurement Method</u>
(a) National Competitive Bidding
(b) Shopping
(c) Direct Contracting
(d) Force Account
(e) Community Participation

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
(b) Individual Consultants
(c) Selection based on Consultant Qualifications

D. Review by the Association 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 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 Credit Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Financing Allocated (expressed in SDR)	Percentage of Expenditures to be Financed
(1) Works	5,320,000	50%
(2) Goods	1,150,000	50%
(3) Consultants' services	1,760,000	50%
(4) Training	1,210,000	50%
(5) Operating Costs	1,390,000	50%
(6) Matching Grants	1,210,000	50%
(7) Refund of Project Preparation Advance	400,000	Amount payable pursuant to Section 2.07 of the General Conditions
(8) Unallocated	1,060,000	
TOTAL AMOUNT	13,500,000	

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.

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. “Beneficiary” means an individual firm or an institution qualified to receive a Matching Grant in accordance with criteria set forth in the PIM.
3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
4. “CFA Franc” means the currency of the Recipient.
5. “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.
6. “ESMF” or “Environmental and Social Management Framework” means the Recipient’s document dated October 20, 2006, referred to in paragraph D of Section I of Schedule 2 to this Agreement, setting forth, *inter alia*, guidelines, procedures, timetable and other specifications designed to offset adverse environmental and social impacts related to Project activities, or to reduce them to acceptable levels, or to enhance positive impacts.
7. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006).
8. “MAEP” means the Recipient’s Ministry of Agriculture, Livestock and Fisheries.
9. “Micro-Project” means any and all Micro-Projects referred to under Part 3 (c) of the Project.
10. “Micro-Project Grant” means any grant made or proposed to be made to a Beneficiary under Part 3 (c) of the Project.
11. “Micro-Project Grant Agreement” means the Agreement to be entered into between the Recipient and a Beneficiary for the purpose of financing a Micro-Project under Part 3 (c) of the Project.

12. “Operating Costs” means incremental operating costs arising under the Project on account of Project coordination, implementation and monitoring activities undertaken by the implementing agencies of the Recipient, including office supplies, vehicle operation and maintenance costs, utilities, communication charges, per diems and travel allowances, but excluding the salaries of the Recipient’s civil service.
13. “Pest Management Plan” or “PMP” means the plan adopted by the Borrower on March 18, 2006 and referred to in paragraph D of Section I of Schedule II to this Agreement.
14. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006.
15. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated March 23, 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.
16. “Project Areas” means the following territorial entities of the Recipients: Bouenza, Brazzaville, Cuvette, Kouilou, Lekoumou, Niari, Plateau, Pointe Noire, Pool and Sangha.
17. “Project Implementation Manual” or PIM means the manual adopted by the Recipient pursuant to Section 4.01 (c) of this Agreement, and setting out implementation, organizational, administrative, monitoring and evaluation, environmental and social monitoring and mitigation, financial management, disbursement and procurement 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 concurrence of the Association, and any schedules to the PIM.
18. “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 October 27, 2005 and on behalf of the Recipient on November 8, 2005.
19. “Resettlement Policy Framework” or “RPF” means the Resettlement Policy Framework of the Recipient, dated July 22, 2005, setting forth, *inter alia*, guidelines, procedures, timetable and other specifications of the resettlement / compensation to be made under the Project to Affected Persons and referred to in paragraph D of Section I of Schedule II to this Agreement;

