

Public Disclosure Authorized

CONFORMED COPY

CREDIT NUMBER 4846-CG

Financing Agreement

(Support to Economic Diversification Project)

between

REPUBLIC OF CONGO

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated February 3, 2011

CREDIT NUMBER 4846-CG

FINANCING AGREEMENT

AGREEMENT dated February 3, 2011, 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 credit in an amount equivalent to six million four hundred thousand Special Drawing Rights (SDR 6,400,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.]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 April 15 and October 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 Dollar.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall carry out Parts A, B, C.2 and D of the Project through MOP, and cause Part C.1 of the Project to be carried out by CFCO (with the Recipient's assistance as specified in Section I.C.2 of Schedule 2 to this Agreement), all 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 Events of Suspension consist of the following:
 - (a) CFCO's Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of CFCO to perform any of its obligations under the Subsidiary Agreement.
 - (b) CFCO has failed to perform any of its obligations under the Subsidiary Agreement.
- 4.02. The Additional Events of Acceleration consist of the following:
 - (a) The event specified in Section 4.01 (a) of this Agreement occurs.
 - (b) The event specified in Section 4.01 (b) of this Agreement occurs and is continuing for a period of 60 days after notice of the event has been given by the Association to the Recipient.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Conditions of Effectiveness consist of the following:
- (a) The Subsidiary Agreement has been executed on behalf of the Recipient and CFCO in accordance with the provisions of Section I.C.2 of Schedule 2 to this Agreement.
 - (b) (i) The PCU, the Project Steering Committee and the Secretariat of the HLCPPD have all been established in accordance with the provisions of Section I.A. of Schedule 2 to this Agreement; and (ii) (A) the Project coordinator referred to in Section I.A.2(b) of Schedule 2 to this Agreement and the coordinator of the HLCPPD referred to in Section I.A.3(b) of Schedule 2 to this Agreement have both been appointed; and (B) the financial management manager and the procurement specialist, both referred to in Section I.A.2(c)(i) of Schedule 2 to this Agreement have been employed, all in accordance with the provisions of said Sections.
 - (c) The PIM has been adopted by the Recipient in accordance with the provisions of Section I.A.6 of Schedule 2 to this Agreement.
 - (d) The Recipient has deposited an amount in CFA Francs equivalent to six hundred twenty five thousand United States Dollars (USD 625,000) into the Project Counterpart Funds Account in accordance with the provisions of Section I.F of Schedule 2 to this Agreement.
- 5.02. The Additional Legal Matter consists of the following, namely that the Subsidiary Agreement has been duly authorized or ratified by the Recipient and CFCO and is legally binding upon the Recipient and CFCO in accordance with its terms.
- 5.03. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 5.04. 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 VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient's Representative is its minister responsible for finance.

6.02. The Recipient's Address is:

Ministère des Finances, du Budget et du Portefeuille Public
Croisement Avenue de l'Indépendance/Avenue Foch
B.P. 2083
Brazzaville
Republic of Congo

Facsimile:

(242) 2281.43.69

6.03. The Association's Address is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable:

Telex:

Facsimile:

INDEVAS
Washington, D.C.

248423 (MCI)

1-202-477-6391

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

REPUBLIC OF CONGO

By //s// Gilbert Ondongo

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By //s// Marie-Francoise Marie-Nelly

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to promote private sector growth and investment in the non-oil sectors in the Republic of Congo.

The Project consists of the following parts:

Part A: Public-Private Dialogue to Improve the Investment Climate

1. (a) Establishment, staffing and operationalization of a high-level council designed to promote dialogue between public and private sectors with a view to improving the Recipient's investment climate and to diversifying its economy and promoting such non-oil sectors as agribusiness and transport related services.

(b) Development and adoption of a strategic policy framework and action plan designed to achieve the objectives of the HLCPPD, with particular focus on investment climate reform, value chains development and infrastructure development in the agribusiness and transport related services sectors.

2. Carrying out of a program to implement key policy and investment climate reforms identified by the HLCPPD that are designed to promote investments in the Recipient's territory, consisting of: (a) improvement of the legal, regulatory and institutional framework for enterprise creation so as to reduce transaction costs and time associated with the establishment of enterprises; (b) rationalization of the licensing and tax regimes applicable to companies; (c) development of a strategic, institutional and legal framework for the establishment of special economic zones within the Recipient's territory; (d) implementation of other reforms proposed by the HLCPPD; and (e) communications campaigns relating to such reforms.

Part B: Entrepreneurship

1. (a) Establishment, staffing and operationalization of an enterprise support center, with offices in the Recipient's cities of Brazzaville and Pointe Noire, designed to: (i) facilitate the creation of small and medium enterprises and their access to operational technical assistance; (ii) foster entrepreneurship and attract strategic private investors in the Recipient's territory; and (iii) ensure that entrepreneurs carry out suitable environmental impact assessments of their proposed investments, and take appropriate measures based on such assessments.

(b) Carrying out of market studies and provision of technical assistance to identify, recommend and implement improvements in value chains in non-oil sectors, to provide guidance on development of public-private partnerships and promote environmentally sustainable investments in these sectors.

2. Carrying out, through the provision of matching grants, of specific development projects consisting of packages of technical assistance to: (a) entrepreneurs for business development services; and (b) providers of management, business and technical training services for development and delivery of training programs to entrepreneurs; in all cases designed to facilitate the business development of diversified enterprises, with a particular focus on agribusiness and transport related services, women-led businesses, and on minimizing and mitigating adverse any environmental and social impacts of possible future investments .

Part C: CFCO Reform

1. Implementation of a strategy to improve the sustainable operations of CFCO through: (a) the provision of short term technical assistance designed to assist CFCO in strengthening its organization, management and staffing as well as its operational and rolling-stock and track infrastructure maintenance capacity; and (b) the preparation of an environmental and social management framework, a resettlement policy framework and an Indigenous Peoples' policy framework for CFCO's operations and training to staff in the application of such framework.

2. Development and implementation of a public-private partnership strategy to further enhance the efficient and effective operations of CFCO in an environmentally and socially sound and sustainable manner.

Part D: Project Coordination and Implementation

Staffing and operationalization of the PCU, and coordination, oversight and monitoring of the Project, and provision of vehicles, other goods and training required for the purpose.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. Project Steering Committee

- (a) The Recipient shall establish and thereafter maintain throughout the period of Project implementation, a Project steering committee, with terms of reference and resources acceptable to the Association, to be responsible for ensuring the strategic oversight and provision of policy guidance for the Project.
- (b) The Recipient shall ensure that the Project Steering Committee is: (i) chaired by the Recipient's minister responsible for planning (or his or her designee); and (ii) comprised of the Recipient's ministers (or designees) responsible, respectively, for: (A) industrial development and private sector promotion; (B) finance; (C) mining; (D) forestry and environment; (E) agriculture and livestock; (F) small and medium enterprises; (G) commerce; (H) fisheries; and (I) tourism; as well as other ministers responsible for the Project (or their designees); the President's councillor responsible for economy and finance (or his or her designee); and representatives of the private sector and civil society.

2. Project Coordination Unit (PCU)

- (a) The Recipient shall establish and thereafter maintain throughout the period of Project implementation, a Project coordination unit under the oversight of the cabinet of the Minister responsible for planning, with terms of reference acceptable to the Association, to be responsible for ensuring the proper day-to-day oversight, coordination and implementation of the Project.
- (b) The Recipient shall ensure that the PCU is managed by a coordinator with qualifications, experience and terms of reference acceptable to the Association, and comprised of qualified and experienced staff in adequate numbers and other resources needed for the performance of its functions.
- (c) Without limitation on the foregoing, the Recipient shall, under Part D of the Project, employ in accordance with the provisions of Section III of this Schedule, and maintain throughout the period of Project implementation, the following experts for the PCU with qualifications and experience and terms of reference acceptable to the Association: (i) a financial management manager, and a procurement specialist, and (ii) not later than 3 months after the Effective Date: (A) an accountant; (B) a monitoring and evaluation specialist; (C) an institutional

development expert; and (D) an expert in development of small and medium enterprises and in investment promotion.

3. **High Level Council on Public Private Dialogue (HLCPPD)**

- (a) Under Part A of the Project, the Recipient shall establish and thereafter maintain the HLCPPD with terms of reference and resources satisfactory to the Association.
- (b) To facilitate the work of the HLCPPD, the Recipient shall: (i) establish and thereafter maintain, within its ministry responsible for industrial development and private sector promotion, a secretariat for the HLCPPD, with terms of reference acceptable to the Association, managed by a qualified and experienced coordinator and staffed with suitably qualified and experienced personnel in adequate numbers to enable it to perform its functions properly; and (ii) without limitation on the foregoing, recruit and appoint to the HLCPPD not later than April 30, 2011: (A) a private sector development specialist; (B) a value chain development specialist; and (C) an infrastructure economist each with qualifications and experience, and on terms and conditions, acceptable to the Association.

4. **Enterprise Support Center (ESC)**

- (a) Under Part B.1 of the Project, the Recipient shall establish and thereafter maintain the ESC with terms of reference and resources satisfactory to the Association, supported by qualified and experienced staff in adequate numbers.
- (b) To this end, the Recipient shall recruit and appoint to the ESC, not later than December 31, 2011, a chief executive officer, an investment promotion specialist and an enterprise development specialist, each with qualifications and experience, and on terms and conditions, acceptable to the Association.

5. **CFCO**

In order to ensure the proper oversight of CFCO's reform under Part C of the Project, the Recipient shall maintain a task force presided by the delegated minister responsible for large works (*ministre délégué général des grands travaux*) with terms of reference, composition (including representatives of the Recipient's presidential cabinet, ministry responsible for planning, privatization committee and ministry responsible for transport, as well as representatives of CFCO and CFCO's Unions), and resources acceptable to the Association.

6. **Project Implementation Manual (PIM)**

- (a) In order to ensure the proper implementation of the Project, the Recipient shall prepare under terms of reference acceptable to the Association, a Project

implementation manual containing an overall Project implementation plan, and detailed (i) administrative, (ii) procurement, (iii) financial and accounting, and (iv) monitoring and evaluation procedures and arrangements for the Project, including, *inter alia*, elaboration of the eligibility criteria and terms and conditions, and procedures for preparation, approval and monitoring and evaluation, of Matching Grants.

- (b) The Recipient shall furnish such manual to the Association for review and approval; afford the Association a reasonable period to exchange views with the Recipient on the same, and thereafter adopt such Project implementation manual as shall have been approved by the Association.
- (c) The Recipient shall ensure that the Project is carried out in accordance with the Project Implementation Manual and shall not amend or waive any provision of the Project Implementation Manual without the Association's prior written agreement.
- (d) In the event of any inconsistency between the provisions of the Project Implementation Manual and this Agreement, the provisions of this Agreement shall govern.

B. Part B.2 of the Project – Matching Grants

- 1. The Recipient shall make Matching Grants to Beneficiaries for Subprojects in accordance with eligibility criteria and procedures acceptable to the Association, which shall include the following:
 - (a) No proposed Subproject shall be eligible for financing under a Matching Grant to a Beneficiary unless the Recipient shall have determined on the basis of an appraisal carried out in accordance with guidelines acceptable to the Association and elaborated in the PIM, that:
 - (i) the proposed Subproject: (A) is designed to improve the performance of entrepreneurs in the Recipient's territory in such areas as marketing, quality control, production planning, and reorganization of value chain and production processes; (B) is based on a well developed performance improvement strategy and consists exclusively of training and/or technical assistance designed, *inter alia*, to improve the capability of entrepreneurs to address the environmental impacts of their investments; (C) does not include any works, working capital, or feasibility or engineering studies; and (D) is technically feasible and economically and financially viable; and
 - (ii) the proposed Beneficiary: (A) (1) if it is not a training provider, is privately owned; and (2) in all cases, is a legal entity with the organization, management, technical capacity and financial resources

necessary to carry out the proposed Subproject; (B) has prepared a satisfactory financing plan and budget and implementation plan for the proposed Subproject; and (C) has committed to finance at least 20% of the total estimated cost of the Subproject out of its own resources.

- (b) The maximum amount: (i) of all Matching Grants to a single Beneficiary shall not exceed the equivalent of \$150,000; and (ii) of each Matching Grant for a Subproject shall not exceed 80% of the total estimated cost of the Subproject.
 - (c) The first ten Matching Grants proposed to be made, and each Matching Grant in an amount equivalent to \$50,000 or more, shall be subject to the Association's prior written approval and shall only be eligible for financing under the Financing if and to the extent approved by Association.
2. The Recipient shall make each Matching Grant under a Matching Grant Agreement with the respective Beneficiary on terms and conditions approved by the Association, which shall include the following:
- (a) The Matching Grant shall be made on a non-reimbursable grant basis.
 - (b) The Recipient shall obtain rights adequate to protect its interests and those of the Association, including the right to:
 - (i) suspend or terminate the right of the Beneficiary to use the proceeds of the Matching Grant, or obtain a refund of all or any part of the amount of the Matching Grant then withdrawn, upon the Beneficiary's failure to perform any of its obligations under the Matching Grant Agreement; and
 - (ii) require each Beneficiary to:
 - (A) carry out its Subproject with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and 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) procure the goods and services to be financed out of the Matching Grant in accordance with the provisions of this Agreement;
 - (D) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Association, the progress of the Subproject and the achievement of its objectives;

- (E) (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 its operations, including the operations, resources and expenditures related to the Subproject; 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, and permit the Association to make such statements as so audited available to the public, along with the Matching Grant Agreement;
 - (F) enable the Recipient and the Association to inspect the Subproject, its operation and any relevant records and documents; and
 - (G) 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 and carry out its obligations under each Matching 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 Matching Grant Agreement or any of its provisions.
- 4. In order to ensure the proper review, approval and supervision of Matching Grants, the Recipient shall establish within the PCU, a management team with terms of reference and resources acceptable to the Association. To this end, the Recipient shall employ not later than April 30, 2011, the following individuals, who shall constitute the Matching Grants Management Team: (a) a director of operations; (b) an expert in value chain linkages; and (c) a training expert; all with terms of reference, qualifications and experience satisfactory to the Association, and employed in accordance with the provisions of Section III of this Schedule.

C. Part C.1 of the Project – CFCO's Respective Part of the Project

1. CFCO Environmental and Social Management, Resettlement Policy and Indigenous Peoples' Policy Frameworks; Environmental Cleanup Plan

In order to ensure the reform and further development of CFCO's operations in an environmentally and socially sound and sustainable manner, the Recipient shall ensure that the following measures are taken:

- (a) CFCO shall:
- (i) not later than June 30, 2011, employ consultants with terms of reference, qualifications and experience acceptable to the Association and in accordance with Section III of this Schedule, to develop recommendations, based on the CFCO Environmental and Social Audit, for:
 - (A) an environmental and social management framework for CFCO designed to address key environmental and social risks associated with CFCO's operations, such framework to address in particular issues relating to degraded infrastructure, including trains and buildings; health and safety; encroachment on the right-of-way; impact of HIV/AIDS on workers and local communities; air pollution, solid and liquid waste; certification of timber; and any impact on vulnerable populations as a result of CFCO's investments;
 - (B) a resettlement policy framework for CFCO designed to ensure that CFCO's investments avoid where feasible, or minimize, involuntary resettlement, by exploring all viable alternative project designs; and where it is not feasible to avoid such resettlement, the persons displaced by the investment are meaningfully consulted and are assisted in their efforts to improve their livelihoods and standards of living or at least to restore them; and
 - (C) an Indigenous Peoples' policy framework for CFCO designed to ensure that the communities of Indigenous Peoples who are affected by CFCO's investments support the investments based on meaningful consultations and that the investments include measures to avoid potentially adverse effects on their communities or when avoidance is not feasible, to minimize, mitigate, or compensate for such effects;
 - (ii) thereafter, prepare an environmental and social management framework, a resettlement policy framework and an Indigenous Peoples' policy framework for CFCO's operations, based on the recommendations of such consultants;
 - (iii) afford the Association a reasonable opportunity to exchange views with the Recipient and CFCO on such proposed frameworks;
 - (iv) not later than December 31, 2011, adopt such frameworks taking into account the views of the Association on the matter; and
 - (v) thereafter at all times carry out CFCO's restructuring and investment plans in accordance with the CFCO Environmental and Social

Management, Resettlement Policy and CFCO Indigenous Peoples' Policy Frameworks.

- (b) CFCO shall:
 - (i) not later than June 30, 2011, prepare under terms of reference acceptable to the Association, a strategy and action plan (including timetable) for the environmental cleanup of CFCO's assets and land on which it operates, as well as a financing plan for such strategy and action plan;
 - (ii) thereafter, afford the Association a reasonable opportunity to exchange views with the Recipient and CFCO on such proposed strategy and action plan;
 - (iii) not later than December 31, 2011, adopt such strategy and action plan taking into account the views of the Association on the matter; and
 - (iv) thereafter implement the CFCO Environmental Cleanup Strategy and Action Plan in accordance with its provisions.

2. **Subsidiary Agreement**

- (a) To facilitate the carrying out of the Part C.1 of the Project ("CFCO's Respective Part of the Project"), the Recipient shall make the proceeds of the Financing allocated from time to time to Category (3) available to CFCO on a non reimbursable grant basis under a subsidiary agreement between the Recipient and the CFCO, under terms and conditions approved by the Association, which shall include the following:
 - (i) CFCO shall be required to carry out CFCO's Respective Part of the Project with due diligence and efficiency; in conformity with appropriate administrative, technical, financial, economic, environmental and social standards and practices, including the provisions of the CFCO Environmental and Social Management, Resettlement Policy and Indigenous Peoples' Policy Framework, the CFCO Environmental Cleanup Strategy and Action Plan, and the Anti-Corruption Guidelines applicable to entities other than the Recipient; and in accordance with the provisions of this Agreement.
 - (ii) CFCO shall be required to ensure that: (A) the procurement of all goods and services required for CFCO's Respective Part of the Project and to be financed out of the proceeds of the Financing is carried out in accordance with the provisions of Section III of this Schedule; and (B) all such goods and services are used exclusively for the purposes of the Project.
 - (iii) CFCO shall be required to ensure that all facilities relevant to CFCO's Respective Part of the Project shall at all times be properly operated and

maintained and that all necessary repairs and renewals of such facilities shall be made promptly as needed.

- (iv) CFCO shall be required to ensure that: (A) records are maintained adequate to record the progress of CFCO's Respective Part of the Project (including its cost and the benefits to be derived from it), to identify the goods and services financed out of the proceeds of the Financing and disclose their use in the Project; (B) such records are furnished to the Association upon its request; and (C) all records evidencing expenditures under CFCO's Respective Part of the Project are retained for the period of time specified in the General Conditions.
- (v) CFCO shall be required to ensure that: (A) policies and procedures are maintained adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators acceptable to the Association, the progress of CFCO's Respective Part of the Project and the achievement of its objectives; (B) periodic reports are prepared, in form and substance satisfactory to the Association, integrating the results of such monitoring and evaluation activities and setting out measures recommended to ensure the continued efficient and effective execution of CFCO's Respective Part of the Project, and to achieve its objectives, each such report to cover the period of one calendar semester; (C) each such report is furnished to the Recipient in adequate time to enable it to incorporate such report in its Project Report for the same period and to comply with its reporting obligations under Section II of this Schedule 2; and (D) a final report is prepared, and furnished to the Recipient, of such scope and in such detail as the Association shall reasonably request, on the execution of CFCO's Respective Part of the Project, and in adequate time to enable the Recipient to incorporate such report in its report required pursuant to Section 4.08 (c) of the General Conditions.
- (vi) CFCO shall be required to ensure that: (A) a financial management system is maintained and financial statements are prepared in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations and financial condition of CFCO, including the operations, resources and expenditures related to CFCO's Respective Part of the Project; (B) such financial statements are audited annually by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association; and (C) not later than 6 months after the end of each such period, such financial statements as so audited are furnished to the Association, along with such other information concerning such audited financial statements and such auditors, as the Association may from time to time reasonably request, and to permit the Association to make such financial statements as so audited available to the public, along with the Subsidiary Agreement.

- (vii) In order to assist CFCO in carrying out its responsibilities, the Recipient shall carry out, on behalf and in the name of CFCO: (A) the procurement required for the CFCO's Respective Part of the Project, in accordance with the provisions of subparagraph (ii) of this paragraph (a); and (B) the financial management obligations referred to in subparagraph (vi) of this paragraph (a) in respect of CFCO's Respective Part of the Project; and to this end, CFCO shall authorize the Recipient to withdraw on its behalf the proceeds of the Financing allocated for such activities.
- (b) The Recipient shall exercise its rights and carry out its obligations 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.

D. Annual Work Plans; Training

1. Annual Work Plans

- (a) The Recipient shall:
 - (i) through the PCU, prepare under terms of reference acceptable to the Association, and furnish to the Association, not later than December 15 of each Fiscal Year (or more frequently if required) during the period of Project implementation, for the Association's review and approval, an annual work plan of activities proposed for inclusion in the Project during the following Fiscal Year, together with a budget and financing plan for such activities and a timetable for their implementation, including amounts of the Recipient's counterpart funding required for the purpose; and
 - (ii) thereafter, allocate the necessary counterpart funds and carry out the Project with due diligence during such following year in accordance with such annual work plan as shall have been approved by the Association ("Agreed Annual Work Plan").
- (b) Only activities included in an Agreed Annual Work Plan shall be eligible for inclusion in the Project.

2. Training and Workshops

The Recipient shall ensure that in preparing any training or workshops proposed for inclusion in the Project under an Agreed Annual Work Plan it shall identify in the work plan: (a) the objective and content of the training or workshop envisaged; (b) the selection method of institutions or individuals conducting such training or workshop, and said institutions if already known; (c) the expected

duration and an estimate of the cost of said training or workshops; and (d) the personnel selected to attend the training or the workshop.

E. Anti-Corruption

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

F. Project Counterpart Funds

1. The Recipient shall open and thereafter at all times throughout the implementation of the Project maintain in a financial institution and on terms and conditions acceptable to the Association, an account into which all counterpart funds required for the Project shall be deposited and maintained until required to pay for Eligible Expenditures.
2. Without limitation upon the provisions of Section 4.03 of the General Conditions, the Recipient shall deposit into the Project Counterpart Funds Account amounts in CFA Francs equivalent to each of the following amounts not later than the dates indicated next to such amount:

Amount (in US Dollars)	Date
0.625 million	Effective Date
0.9375 million	August 31, 2011
0.9375 million	February 28, 2012
1 million	August 31, 2012
1 million	February 28, 2013
1 million	August 31, 2013
1 million	February 28, 2014
1 million	August 31, 2014
1 million	February 28, 2015
1 million	August 31, 2015
0.5 million	December 30, 2015

3. The Recipient shall ensure that all amounts deposited in the Project Counterpart Funds Account shall be used exclusively to pay for Eligible Expenditures.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

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 indicators acceptable to the Association. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than one month after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
2. The Recipient shall prepare and furnish to the Association 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, commencing with the fiscal year in which the first withdrawal was made under the Preparation Advance for the Project. 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.
4. In order to ensure the proper maintenance of the financial management system referred to in Part B.1 of this Section II, the Recipient shall, not later than 3 months after the Effective Date: (a) acquire and install accounting software in accordance with Section III of this Schedule; and (b) ensure that its financial staff involved in the Project are properly trained in the use of such software.
5. In order to ensure the timely carrying out of the audits referred to in Part B.3 of this Section II, the Recipient shall engage auditors for the purpose not later than 3 months after the Effective Date, in accordance with the provisions of Section III of this Schedule.

C. Project Records Management System

In order to facilitate the proper monitoring and evaluation of the Project, the Recipient shall not later than six months after the Effective Date, upgrade in accordance with terms of reference satisfactory to the Association, its system for Project records management.

Section III. Procurement

A. General

1. **Goods.** All goods required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods. The Procurement Plan shall specify the circumstances under which such methods may be used:

Procurement Method
(a) National Competitive Bidding
(b) Shopping
(b) 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) Quality Based Selection
(b) Selection under a Fixed Budget
(c) Selection based on the Consultants' Qualifications
(d) Least Cost Selection
(e) Single Source Selection
(f) Individual Consultants
(g) Sole Source Selection of Individual Consultants
(h) Commercial Practices, provided that they have been determined to be acceptable to the Association prior to their use.

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.

E. Procurement Audits

The Recipient shall have all procurement activities undertaken by it under the Project audited annually by auditors under terms of reference and with qualifications and experience satisfactory to the Association. Each such audit shall cover the period of one Fiscal Year and shall be furnished to the Association not later than 6 months after the end of such Fiscal Year.

Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing (“Category”), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Financing Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
1) Goods, services, Training, and Operating Costs for Parts A, B.1 and D of the Project	3,600,000	50%
2) Goods and services required for Sub-projects under Matching Grants included in Part B.2 of the Project	1,600,000	50% of amounts disbursed by the Recipient under the Matching Grant
3) Goods and services for Part C.1 of the Project	400,000	50%
4) Goods, services, Training, and Operating Costs for Part C.2 of the Project	480,000	50%
5) Refund of Preparation Advance	250,000	Amount payable pursuant to Section 2.07 of the General Conditions
6) Unallocated	70,000	
TOTAL AMOUNT	6,400,000	

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.
 - (b) under Category (4) unless and until the Association shall have received all the information referred to in Section V.A.2 of this Schedule, in form and substance satisfactory to the Association.
2. The Closing Date is February 28, 2016.

Section V. Other Undertakings

A. CFCO Social Arrears

1. The Recipient shall:
 - (a) further to the November 2010 CFCO Social Arrears Payments, prepare in consultation with the unions representing CFCO's employees and retirees ("CFCO's Unions"), and furnish to the Association not later than April 30, 2011, a detailed time bound plan for the full payment of all amounts due by CFCO to its current and retired employees as at October 31, 2010 ("CFCO's Social Arrears");
 - (b) afford the Association a reasonable opportunity to review and discuss such plan with the Recipient; and
 - (c) thereafter adopt such plan, taking into account the comments of the Association on the matter.
2. The Recipient shall thereafter, but in any event not later than June 30, 2011 furnish to the Association:
 - (a) such plan for the settlement of CFCO's Social Arrears as shall have been agreed with CFCO's Unions ("CFCO Social Arrears Payment Plan");
 - (b) a financial certification satisfactory to the Association, confirming the accuracy of the CFCO Social Arrears Payment Plan; and
 - (c) a legal opinion satisfactory to the Association showing that said plan has been duly adopted in accordance with the laws of the Recipient (including all applicable labor laws and regulations and collective bargaining agreements) and is legally binding upon the Recipient, CFCO and CFCO's Unions and employees in accordance with its terms.
3. The Recipient shall thereafter implement the CFCO Social Arrears Payment Plan and complete all payments due thereunder in accordance with its terms.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each April 15 and October 15, commencing April 15, 2021 to and including October 15, 2030	5%

* 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

Section I. Definitions

1. “Agreed Annual Work Plan” means the annual work plan agreed with the Association in accordance with Section I.D of Schedule 2 to this Agreement.
2. “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 with the modifications set forth in Section II of this Appendix.
3. “Beneficiary” means a legal entity to which the Recipient has made or proposes to make a Matching Grant for a Subproject in accordance with the provisions of this Agreement.
4. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
5. “CFA Franc” means the franc of the Central Africa Economic and Monetary Community (CEMAC), whose common central bank is the Bank of Central African States (BEAC).
6. “CFCO” means the Recipient’s railway company, known as *Chemin de Fer Congo Océan*, established pursuant to the CFCO Legislation and operating under the laws of the Recipient.
7. “CFCO Environmental and Social Audit” means the Recipient’s environmental and social audit report in respect of CFCO’s operations, entitled “*Rapport Final Audit Environnemental et Social du Chemin de Fer CONGO OCEAN (CFCO)*”, dated August, 2010.
8. “CFCO Environmental and Social Management, Resettlement Policy and Indigenous Peoples’ Policy Frameworks” means the environmental and social management framework, the resettlement policy framework and the Indigenous Peoples’ policy framework to be developed and applied in accordance with the provisions of Section I.C.1(a) of Schedule 2 to this Agreement.
9. “CFCO Environmental Cleanup Strategy and Action Plan” means the environmental cleanup strategy and action plan, to be developed and implemented in accordance with the provisions of Section I.C.1 (b) of Schedule 2 to this Agreement.
10. “CFCO Legislation” means the Recipient’s Ordonnance No. 3-2000 (*Ordonnance portant création du chemin de fer congo-océan*) dated February 16, 2000, pursuant to which CFCO was established as a public enterprise with legal

personality, the Recipient's Decree No. 15-2000 dated February 29, 2000 approving and annexing CFCO's statutes (*Decret portant approbation des statuts du chemin de fer congo-océan*), and CFCO's Statutes annexed to such Decree, as the same may be amended from time to time.

11. "CFCO Social Arrears" has the meaning ascribed to it in Section V of Schedule 2 to this Agreement.
12. "CFCO Social Arrears Payment Plan" means the plan to be adopted by the Recipient pursuant to Section V to Schedule 2 to this Agreement for the payment of the CFCO Social Arrears.
13. "CFCO's Respective Part of the Project" means Part C.1 of the Project.
14. "CFCO's Unions" has the meaning ascribed to it in Section V. of Schedule 2 to this Agreement.
15. "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 and May 2010.
16. "ESC" means the enterprise support center, known as "*Maison de l'Entreprise Congo*" to be established under Part B.1(a) of the Project.
17. "Fiscal Year" and "FY" each means a fiscal year of the Recipient (and of CFCO), commencing January 1 and ending December 31.
18. "General Conditions" means the "International Development Association General Conditions for Credits and Grants", dated July 31, 2010.
19. "HLCPPD" means the high-level council for public-private dialogue, known as "*Haut Conseil du Dialogue Public-Privé*", to be established and maintained by the Recipient under Part A of the Project, and any successor thereto.
20. "Indigenous Peoples" means any group of people who satisfy the criteria set forth in the Bank's Operational Policy 4.11 (Indigenous Peoples).
21. "Matching Grant" means a grant made or proposed to be made by the Recipient to a Beneficiary in part out of the proceeds of the Financing for a Subproject in accordance with the provisions of this Agreement.
22. "Matching Grant Agreement" means in respect of each Matching Grant, the agreement between the Recipient and a Beneficiary providing for said Matching Grant.
23. "Matching Grants Management Team" means the team referred to in Section I.B.4 of Schedule 2 to this Agreement.

24. “November 2010 CFCO Social Arrears Payments” means the document issued by the Direction Générale of CFCO entitled “*Etats des Arriérés des Salaires*” and dated November 2010.
25. “MOP” means the Recipient’s Ministry of Planning and any successor thereto.
26. “Operating Costs” means the incremental expenses incurred on account of Project implementation, consisting of reasonable expenditures for office supplies, vehicle operation and maintenance, communication and insurance costs, banking charges, rental expenses, office and office equipment maintenance, utilities, document duplication/printing, consumables, travel cost and *per diem* for Project staff for travel linked to the implementation of the Project, and salaries of contractual staff for the Project (but excluding salaries of officials of the HLCPPD and other officials of the Recipient’s civil service).
27. “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 and on behalf of the Recipient on October 20, 2010.
28. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006 and May 2010.
29. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated November 12, 2010 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.
30. “Project Coordination Unit” or “PCU” means the Project coordination unit to be established and maintained by the Recipient pursuant to Section I.A.2 of Schedule 2 to this Agreement.
31. “Project Counterpart Funds Account” means the account to be established and maintained by the Recipient in accordance with the provisions of Section I.F of Schedule 2 to this Agreement.
32. “Project Implementation Manual” or “PIM” means the Recipient’s manual to be prepared and adopted by the Recipient in accordance with Section I.A.6 of Schedule 2 to this Agreement, as the same may be amended and/or supplemented from time to time in accordance with the provisions of said Section; and such term includes any schedule to the PIM.
33. “Project Steering Committee” means the committee referred to in Section I.A.1 of Schedule 2 to this Agreement.

34. “Subproject” means a specific development project to be carried out by a Beneficiary under Part B.2 of the Project and to be financed out of the proceeds of a Matching Grant.
35. “Subsidiary Agreement” means the agreement referred to in Section I.C of Schedule 2 to this Agreement pursuant to which the Recipient shall make part of the proceeds of the Financing available to CFCO.
36. “Training” means the reasonable costs associated with training and workshop participation under the Project, consisting of 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 course or workshop preparation and implementation.

Section II. Modifications to the Anti-Corruption Guidelines

The modifications to the Anti-Corruption Guidelines are as follows:

1. Section 5 is re-numbered as Section 5(a) and a new Section 5(b) is added to read as follows:

“... (b) These Guidelines also provide for the sanctions and related actions to be imposed by the Bank on Borrowers (other than the Member Country) and all other individuals or entities who are recipients of Loan proceeds, in the event that the Borrower or the individual or entity has been debarred by another financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

2. Section 11(a) is modified to read as follows:

“... (a) sanction in accordance with prevailing Bank’s sanctions policies and procedures (fn13) a Borrower (other than a Member Country) (fn 14) or an individual or entity, including (but not limited to) declaring such Borrower, individual or entity ineligible publicly, either indefinitely or for a stated period of time: (i) to be awarded a Bank-financed contract; (ii) to benefit from a Bank-financed contract, financially or otherwise, for example as a sub-contractor; and (iii) to otherwise participate in the preparation or implementation of the project or any other project financed, in whole or in part, by the Bank, if at any time the Bank determines (fn 15) that such Borrower, individual or entity has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in connection with the use of loan proceeds, or if another financier with which the Bank has entered into an agreement for the mutual

enforcement of debarment decisions has declared such person or entity ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

Footnotes:

“13. An individual or entity may be declared ineligible to be awarded a Bank financed contract upon completion of sanctions proceedings pursuant to the Bank’s sanctions policies and procedures, or under the procedures of temporary suspension or early temporary suspension in connection with an ongoing sanctions proceeding, or following a sanction by another financier with whom the Bank has entered into a cross debarment agreement, as a result of a determination by such financier that the firm or individual has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

“14. Member Country includes officials and employees of the national government or of any of its political or administrative subdivisions, and government owned enterprises and agencies that are not eligible to bid under paragraph 1.8(b) of the Procurement Guidelines or participate under paragraph 1.11(c) of the Consultant Guidelines.”

“15. The Bank has established a Sanctions Board, and related procedures, for the purpose of making such determinations. *The procedures of the Sanctions Board sets forth the full set of sanctions available* to the Bank. In addition, the Bank has adopted an internal protocol outlining the process to be followed in implementing debarments by other financiers, and explaining how cross-debarments will be posted on the Bank’s website and otherwise be made known to staff and other stakeholders.”