

Public Disclosure Authorized

CONFORMED COPY

GRANT NUMBER H604-LR

Financing Agreement

(Additional Financing for Urban and Rural Infrastructure Rehabilitation Project)

between

REPUBLIC OF LIBERIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 29, 2010

Public Disclosure Authorized

GRANT NUMBER H604-LR

FINANCING AGREEMENT

AGREEMENT dated July 29, 2010, entered into between the REPUBLIC OF LIBERIA (“Recipient”) and the INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of providing additional financing for activities related to the Original Project (as defined in the Appendix to this Agreement).

WHEREAS:

(A) Pursuant to the agreement entered into between Recipient and the Association dated June 25, 2009 (the “Original Financing Agreement”), the Association extended a grant to the Recipient in the amount of twenty-nine million five hundred thousand Special Drawing Rights (SDR 29,500,000) in support of the project described in Schedule 1 to the Original Financing Agreement (the “Original Project”).

(B) The Association, together with various donors, established the Liberia Reconstruction Trust Fund (“LRTF”) on April 21, 2008, to support the Recipient in improving its basic infrastructure in order to: (i) create an enabling environment for incremental economic growth; (ii) allow access to basic services; and (iii) build the capacity for planning and managing development projects in the Recipient’s territory.

(C) Pursuant to an agreement (the “LRTF Grant Agreement”) entered into between the Recipient and the Association, acting as administrator of the LRTF, dated June 25, 2009, the Recipient received a grant from the LRTF in an amount of nine million two hundred thousand Dollars (US\$ 9,200,000) to assist in financing the Original Project on the terms and conditions set forth in the LRTF Grant Agreement.

(D) The Recipient, having satisfied itself as to the feasibility and priority of undertaking additional activities related to the Original Project, as the same such activities are described in Schedule 1 to this Agreement (the “Project”), has requested the Association to assist in the financing of the Project.

(E) In addition to the Grant as described below, the Recipient intends to receive a grant from the LRTF in an amount of twenty-seven million Dollars (US\$27,000,000) to assist in financing the Project, on the terms and conditions set forth in an agreement to be entered into between the Recipient and the Association, acting as administrator of the LRTF.

(F) The Recipient hereby confirms its support for, and its commitment to, the objective of the Project to be financed, and to this end, hereby undertakes to take all necessary and expedient action to carry out its obligations set forth in this Agreement.

WHEREAS the Association has agreed, on the basis, *inter alia*, of the foregoing, to extend a grant to the Recipient upon the terms and conditions set forth in this agreement;

NOW THEREFORE,

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 or in the Original Financing Agreement. If the same term is defined in this Agreement and in the Original Financing Agreement, the definition in this Agreement shall prevail.

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 millions six hundred thousand Special Drawing Rights (SDR 13,600,000) (“Grant” or “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 II 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 December 31 and June 30 in each year.
- 2.05. The Payment Currency is Dollars.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall carry out the Project through MPW, with the assistance of MOF, in accordance with the provisions of Article IV of the General Conditions, the provisions of the Operational Manual, the MOU, and the provisions of this Agreement.

- 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 Co-financing Deadline for the effectiveness of the Co-financing Agreement is July 31, 2010.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Recipient's Representative is its Minister of Finance.
6.02. The Recipient's Address is:

Minister of Finance
Ministry of Finance
Broad Street
1000 Monrovia 10
Republic of Liberia

- 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 Monrovia, Republic of Liberia, as of the day and year first above written.

REPUBLIC OF LIBERIA

By

/s/ Augustine K. Ngafuan
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

/s/ Ohene Owusu Nyanin
Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to support the Recipient's efforts to improve road access in the city of Monrovia and targeted rural areas, as well as to improve the institutional capacity for the management of the Recipient's roads sector.

The Project consists of the following:

Part A: Construction of Cotton Tree-Bokay Town-Buchanan Road Sections

1. Construction of the eastward extension of the Cotton Tree-Bokay Town Road, consisting of an additional approximately ten (10) kilometers' segment extension of the section contracted for construction under Part B.1 of the Original Project.
2. Construction of the further eastward extension of the Cotton Tree-Bokay Town-Buchanan Road, consisting of an additional approximately fifty-six (56) kilometers segment eastward from the section to be contracted for under Part A.1 of this Project.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. **Implementation and Institutional and Other Arrangements; Project Monitoring, Reporting, and Evaluation; Financial Management, Financial Reports and Audits; and Procurement**

Sections I (Institutional and Other Arrangements); II (Project Monitoring, Reporting and Evaluation); and III (Procurement) of Schedule 2 to the Original Financing Agreement are hereby incorporated by reference in this Section I.A and shall apply, *mutatis mutandis*, to this Agreement, and the Recipient undertakes to comply with the provisions thereof to the same extent as if such provisions had been set out in full in this Agreement.

B. **Anti-Corruption**

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

C. **Safeguards**

Without limitation to Part I.C of Schedule 2 to the Original Financing Agreement, on Environmental and Social Safeguards, the Recipient shall, except as otherwise agreed in writing by the Association:

- (a) implement the Project in accordance with the RPF;
- (b) in case of any activity under the Project requiring the adoption of an RAP:
 - (i) proceed to have such RAP, as the case may be: (A) prepared in accordance with the RPF; (B) submitted to the Association for review and approval; and (C) thereafter adopted, prior to implementation of the activity; and
 - (ii) thereafter take such measures as shall be necessary or appropriate to comply with the requirements of such RAP; and
- (c) in the case of any Resettlement Activity under the Project involving Affected Persons, ensure that no displacement (including restriction of access to legally designated parks and protected areas) shall occur before necessary resettlement measures consistent with the RAP are in place, including, in the case of displacement, full payment to Affected Persons

of compensation and of other assistance required for relocation, prior to displacement.

2. Without limitation upon its other reporting obligations under this Agreement, the Recipient shall regularly collect, compile and submit to the Association on a quarterly basis reports in form and substance satisfactory to the Association on the status of compliance with the RPF, EMP and RAPs, if any, giving details of:
 - (a) measures taken in furtherance of such RPF, EMP and RAPs, if any;
 - (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of such RPF, EMP and RAPs, if any; and
 - (c) remedial measures taken or required to be taken to address such conditions.

Section II. 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 Eligible Expenditures that may be financed out of the proceeds of the Grant, the allocations of the amounts of the Grant for each Category of the Project, and the percentage of expenditures to be financed:

Category	Amount of the Grant Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (Inclusive of Taxes)
(1) Works and consultant’s services under Part A.1 of the Project	0	50%
(2) Works under Part A.2 of the Project	13,600,000	
TOTAL	13,600,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made in respect of payments made prior to the date of this Agreement.
2. The Closing Date is June 30, 2014.

Section III: Amendments to the Original Financing Agreement

The Original Financing Agreement is amended as follows:

- A. Paragraph B.2 of Section III of Schedule 2 to the Original Financing Agreement is amended by adding a footnote 1 after the words “National Competitive Bidding,” with the footnote to read as follows:

“1. National Competitive Bidding (NCB) shall follow the Recipient’s procurement procedures, subject to the following additional procedures: (a) bidders shall be given at least one month to submit bids from the date of the invitation to bid or the date of availability of bidding documents, whichever is later; (b) no domestic preference shall be given to domestic bidders for goods and works, and foreign bidders are allowed to participate in National Competitive Bidding procedures without restriction of any kind; (c) in accordance with para.1.14(e) of the Procurement Guidelines, each bidding document and contract financed out of the proceeds of the Financing shall provide that: (i) the bidders, suppliers, contractors and subcontractors shall permit the Association, at its request, to inspect their accounts and records relating to the bid submission and performance of the contract, and to have said accounts and records audited by auditors appointed by the association; and (ii) the deliberate and material violation by the bidder, supplier, contractor or subcontractor of such provision may amount to an obstructive practice as defined in paragraph 1.14(a)(v) of the Procurement Guidelines.”

- B. Section I.23 of the Appendix to the Original Financing Agreement is amended by adding the words “and the acronym RAP” immediately after the words “Resettlement Action Plan.”

- C. Paragraph B.1(a) of Section IV of Schedule 2 to the Original Financing Agreement is amended to read as follows:

“Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made:

- (a) prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$60,000 equivalent may be made for payments made prior to this date but on or after May 1, 2009, for works under Part B.1 of the Project;”

APPENDIX

Section I. 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, with the modifications set forth in Section III of this Appendix.
2. “Category” means a category set forth in the table in Section II of Schedule 2 to this Agreement.
3. “Co-financier” means Liberia Reconstruction Trust Fund, referred to in paragraph 10 of the Appendix to the General Conditions.
4. “Co-financing” means an amount of twenty-seven million Dollars, to be provided by the Co-financier to assist in financing the Project.
5. “Co-financing Agreement” means the agreement to be entered into between the Recipient and the Co-financier providing for the Co-financing.
6. “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.
7. “Environmental Management Plan” or “EMP” means the plan, dated October 1, 2008, adopted by the Recipient satisfactory to the Association, that includes the set of mitigation, enhancement, monitoring, and institutional measures to be taken during implementation of the Project to eliminate any adverse environmental and social impacts, offset them, reduce them to acceptable levels, or to enhance positive impacts. (This definition supersedes the definition of the Original Financing Agreement, as applicable to the Project.)
8. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006), with the modifications set forth in Section II of this Appendix.
9. “Original Financing Agreement” means the financing agreement for an Urban and Rural Infrastructure Rehabilitation Project between the Recipient and the Association, dated June 25, 2009, (Grant No. H478-LR).
10. “Original Project” means the Project described in the Original Financing Agreement.

11. “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.
12. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated June 3, 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.
13. “Resettlement Policy Framework” or “RPF” means the instrument prepared by the Recipient acceptable to the Association, dated June 4, 2010, for application to certain activities in the development of the Recipient’s road sector including the activities envisaged by the scope of the Project, as the same has been publicly disclosed in the Recipient’s territory and in the World Bank’s Infoshop, and setting out the Recipient’s resettlement and compensation policy, organizational arrangements and design criteria to be applied to meet the needs of the people who may be affected by activities under the Project.

Section II. Modifications to the General Conditions

The modifications to the General Conditions for Credits and Grants of the Association, dated July 1, 2005, (as amended through October 15, 2006) are as follows:

1. Section 2.07 is modified to read as follows:

“Section 2.07. *Refinancing Preparation Advance*

If the Financing Agreement provides for the repayment out of the proceeds of the Financing of an advance made by the Association or the Bank (“Preparation Advance”), the Association shall, on behalf of the Recipient, withdraw from the Financing Account on or after the Effective Date the amount required to repay the withdrawn and outstanding balance of the advance as at the date of such withdrawal from the Financing Account and to pay all accrued and unpaid charges, if any, on the advance as at such date. The Association shall pay the amount so withdrawn to itself or the Bank, as the case may be, and shall cancel the remaining unwithdrawn amount of the advance.”

2. Paragraph (i) of Section 6.02 is modified to read as follows:

“Section 6.02. *Suspension by the Association*

... (1) *Ineligibility*. The Association or the Bank has declared the Project Implementing Entity ineligible to receive proceeds of any financing made by the Association or the Bank or otherwise to participate in the preparation or

implementation of any project financed in whole or in part by the Association or the Bank, as a result of: (i) a determination by the Association or the Bank that the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by the Association or the Bank; and/or (ii) a declaration by another financier that the Project Implementing Entity is 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 Project Implementing 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.”

3. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:
 - (a) The term “Project Preparation Advance” is modified to read “Preparation Advance” and its definition is modified to read as follows:

“‘Preparation Advance’ means the advance referred to in the Financing Agreement and repayable in accordance with Section 2.07.”

Section III. 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.”

