

Public Disclosure Authorized

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**GRANT NUMBER H256 - LBR
(Amendment)**

Agreement Amending The Financing Agreement

(Emergency Infrastructure Project)

between

REPUBLIC OF LIBERIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated October 26, 2006

Public Disclosure Authorized

**GRANT NUMBER H256 - LBR
(Amendment)**

**AGREEMENT AMENDING THE
FINANCING AGREEMENT**

AGREEMENT dated October 26, 2006, between REPUBLIC OF LIBERIA (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”).

WHEREAS (A) the Recipient and the Association have entered into a Financing Agreement dated August 8, 2006 (“Financing Agreement”), for the financing of the Emergency Infrastructure Project (Grant Number H236-LBR), described in Schedule 1 to the Financing Agreement (“Project”);

(B) the Recipient has requested the Association to provide further assistance for purposes of scaling up the activities to be financed under the Project by providing additional financing in an amount equivalent to eleven million, two hundred thousand Special Drawing Rights (SDR 11,200,000), the term Project to hereinafter include such expanded activities;

(C) the Recipient has further requested that Parts C.2 and D of the Project, as amended in this Agreement Amending the Financing Agreement, be implemented on its behalf by the United Nations Development Programme (“Project Implementing Entity”); and

WHEREAS the Association has agreed on the basis, *inter alia*, of the foregoing, to provide such additional assistance to the Recipient upon the respective terms and conditions set forth in this Agreement Amending the Financing Agreement and in the agreement of even date herewith among the Recipient, the Association and the Project Implementing Entity (“Project Agreement”);

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Section 1.01. The Appendix to the Financing Agreement is amended as follows:

(a) The “Definitions” section of the Appendix is entitled “Section I” and a Section II is introduced that reads “Modifications to the General Conditions”;

(b) The following amendments are made to Section I of the Appendix:

(i) Paragraph 3 is amended to read as follows:

“Environmental Management Plan” means collectively: (a) a plan approved by the Association for Parts A and C of the Project (Roads EMP); and (b) a plan approved by the Association for Part D of the Project (Urban Works EMP), both to be prepared by the Recipient after carrying out an environmental and social assessment pursuant to paragraph D.7 of Section I of Schedule 2 to this

Agreement, proposing appropriate mitigation, monitoring and institutional measures designed to mitigate potential adverse environmental impacts, offset them, reduce them to acceptable levels or enhance positive impacts, as the same may be amended from time to time with the agreement of the Association;”

(ii) Paragraph 5 is amended to read as follows:

“Interim Un-audited Financial Report” means the report referred to in paragraph B.2 of Section II of Schedule 2 to this Agreement, and which for the Respective Parts of the Project to be implemented by the Recipient: (a) sets forth the sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing funds provided under the Designated Account, and explains variances between the actual and planned uses of such funds; (b) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and (c) sets forth the status of procurement under the Project, as at the end of the period covered by the said report; and for the Respective Parts of the Project to be implemented by the Project Implementing Entity sets out items (a) – (c) and an additional item (d) six months expenditure forecasts for purposes of report-based disbursements;”

((iii) Paragraph 13 is amended to read as follows:

“Procurement Plan” means the procurement plan for the Project, satisfactory to the Association, to be prepared by the Recipient and the Project Implementing Entity for their Respective Parts of the Project within two months of the Effective Date for the first year of Project implementation, and thereafter updated annually and submitted to the Association for its approval;”

(iv) Paragraph 15 is amended to read as follows:

“Resettlement Action Plan” means collectively: (a) a plan approved by the Association for Parts A and C of the Project (Roads RAP); and (b) a plan approved by the Association for Part D of the Project (Urban Works RAP), both to be prepared by the Recipient if necessitated by the outcomes of the environmental and social assessment undertaken pursuant to paragraph D.7 of Section I of Schedule 2 to this Agreement, setting forth principles and procedures governing land acquisition, resettlement and compensation, as well as reporting and monitoring arrangements to ensure compliance with the said plan, as the same may be amended from time to time with the agreement of the Association;”

(v) the word “and” at the end of paragraph (16) is deleted, and the “.” at the end of paragraph (17) replaced with “;”; and

(vi) the following additional definitions are added after paragraph 17:

“(18) “Agreement Amending the Financing Agreement” means the agreement amending this Agreement between the Recipient and the Association, dated October 26, 2006;

(19) “Joint Project Implementation Document” means the agreement, satisfactory to the Association, to be entered into between the Project Implementing Entity and the United Nations Mission in Liberia (UNMIL), setting forth the terms and conditions under which UNMIL shall assist UNDP in the implementation of Part C.2 of the Project;

(20) “Monrovia City Corporation” means the corporation established by the Recipient to administer the affairs of the City of Monrovia; and

(21) “UNDP Management Fee” means the fee provided to the Project Implementing Entity for the institutional recovery of indirect Project support costs incurred on account of implementation of its Respective Parts of the Project.”

(c) In Section II of the Appendix, the following modifications are made to the General Conditions:

(i) Section 3.01 (b) of the General Conditions is amended to read as follows:

“The Commitment Charge shall accrue from a date sixty days after the date of the Financing Agreement or the Agreement Amending the Financing Agreement, as the case may be, to the respective dates on which the Initial Financing (as defined in the Financing Agreement) or the Additional Financing (as defined in the Financing Agreement), as the case may be, are withdrawn by the Recipient from the Financing Account or cancelled. The Commitment Charge shall accrue at the rate set as of the June 30 immediately preceding the accrual date and at such other rate as may be set from time to time pursuant to this Section. The rate set as of June 30 in each year shall be applied from the next Payment Date in that year. The Commitment Charge shall be payable semi-annually in arrears on each Payment Date. The Commitment Charge shall be computed on the basis of a 360-day year of twelve 30-day months.”

(ii) Section 4.05 of the General Conditions is amended to read as follows:

“The Recipient shall take all action to acquire as and when needed all land and rights in respect of land as shall be required for carrying out of the Project and shall promptly furnish to the Association, upon its request, evidence satisfactory to the Association that such land and rights in respect of land are available for purposes related to the Project.”

(iii) Section 4.07 of the General Conditions is amended to read as follows:

“The Recipient shall retain all records (contracts, orders, invoices, bills, receipts and other documents) evidencing expenditures under the parts of the Project it is implementing until at least the later of: (i) one year after the Association has received the audited Financial Statements covering the period during the last withdrawal from the Financing Account was made; and (ii) two years after the Closing Date. The Project Implementing Entity shall retain until one year after the end of the fiscal year in which the last withdrawal from the Grant Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures, and furnish to the Association any other relevant information concerning such records as the Association shall have requested.”

(iv) Sections 8.01 (a) and 8.02 (a) of the General Conditions shall not apply to the Project Implementing Entity.

(v) Definition 39 in the Appendix to the General Conditions is amended to read as follows:

“Project Agreement” means the agreement among the Recipient, the Association and the Project Implementation Entity relating to the implementation of Parts C.2 and D of the Project, as such agreement may be amended from time to time. “Project Agreement” includes these General Conditions as applied to the Project Agreement, and all appendices, schedules, and agreements supplemental to the Project Agreement.”

Section 1.02. Section 2.01 of the Financing Agreement is amended to read as follows:

“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 thirty-one million, eight hundred thousand Special Drawing Rights (SDR 31,800,000) (“Grant”), which includes: (a) an original amount equivalent to twenty million six hundred thousand Special Drawing Rights (SDR 20,600,000) (“Initial Financing”); and (b) an additional amount equivalent to eleven million, two hundred thousand Special Drawing Rights (SDR11,200,000) (“Additional Financing”), to assist in financing the project described in Schedule 1 to this Agreement, as amended pursuant to the provisions of the Agreement Amending the Financing Agreement (“Project”).

Section 1.03. Section 3.01 of the Financing Agreement is amended to read as follows:

“The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall: (a) carry out Parts A, B.1, B.2, B.3, C.1 and C.3 of the Project through the Ministry of Public Works, and Part B.4 of the Project through

the Ministry of Finance; and (b) cause Parts C.2 and D of the Project to be carried out by the Project Implementing Entity, all in accordance with the provisions of Article IV of the General Conditions. Without limitation upon the provisions of Article IV of the General Conditions, the Recipient hereby requests the Association to provide the funds allocated to Parts C.2 and D of the Project directly to the Project Implementing Entity, as further set forth in paragraph A.1 of Section IV of Schedule 2 to this Agreement.”

Section 1.04. Schedule 1 of the Financing Agreement is amended to read as follows:

(i) The objective of the Project is amended to read as follows:

“The objective of the Project is to provide the Recipient with emergency support to restore priority infrastructure through: (a) rehabilitation, repair and reconstruction of critical infrastructure; and (b) strengthening the capacity of the Recipient’s Ministry of Public Works, the Liberia Water and Sewer Corporation, and the Monrovia City Corporation.”

(ii) Part B.1 of the Project is amended to read as follows:

“Strengthening the capacity of the Recipient’s Ministry of Public Works, LWSC and the Monrovia City Corporation.”

(iii) The following new components are included as part of the Project as follows:

Part C: Road Rehabilitation

1. Supporting the rehabilitation of: (a) selected rural roads, bridges and culverts; and (b) roads and streets in Monrovia, including the resurfacing of street pavements, repairing of pot holes, and improving of drainage systems.

2. Supporting the rehabilitation of selected rural roads, bridges and culverts.

3. Carrying out of construction supervision including periodic independent technical audits.

Part D: Urban Works Rehabilitation

Carrying out of: (a) the rehabilitation and/or maintenance of urban works including public toilets, main and secondary gravity lines in the urban sewerage network, the urban storm drainage system, the solid waste disposal system, market places and buildings; and (b) a public awareness training program on the rehabilitation program.”

Section 1.05. Schedule 2 of the Financing Agreement is amended to read as follows:

- (i) Paragraphs B.3 and B.4 of Section I of Schedule 2 are amended to read as follows:

“3. Composition. Except as otherwise provided in this Agreement, the Recipient shall maintain, at all times during Project implementation, the SIU adequately staffed with persons with terms of reference, qualifications, and experience that are satisfactory to the Association, including a Project coordinator, procurement specialist, road and water engineers, transport economist, and environmental specialist.

4. Role. The SIU shall be responsible for day to day implementation of Parts A, B.1, B.2, B.3, C.1 and C.3 of the Project. Without limitation to the generality of the foregoing, the SIU shall carry out tasks that shall include: (a) preparation of annual work plans; (b) providing the PFMU with such information as shall be required to enable the PFMU to carry out financial management under the Project; (c) preparation of a consolidated Interim Un-audited Financial Report incorporating financial management information submitted by the PFMU for this purpose; (d) carrying out of procurement; and (e) monitoring and evaluation of Project implementation.”

- (ii) The words “the Project” are replaced with “Parts A, B, C.1, and C.3 of the Project” in paragraph C.6 of Section I of Schedule 2 and paragraphs A.1 and A.2 of Section III of Schedule 2.

- (iii) Paragraph D.7 of Section I of Schedule 2 is amended to read as follows:

“The Recipient shall carry out an environmental and social assessment of the Project and for: (a) Parts A and C prepare an Environmental Management Plan, and a Resettlement Action Plan (if such Resettlement Action Plan is identified as being necessary by the environmental and social assessment), that are satisfactory to the Association within six months of the Effective Date; and (b) Part D, prepare an Environmental Management Plan within three months of the effective date of the Agreement Amending the Financing Agreement that is satisfactory to the Association, and a Resettlement Action Plan promptly thereafter also satisfactory to the Association, if identified as being necessary by the environmental and social assessment. The Recipient shall disclose the said documentation to members of the public in such manner as shall have been agreed with the Association and implement or cause the Project to be implemented in accordance with the procedures set forth therein.”

- (iv) Paragraph E.8 of Section I of Schedule 2 is amended to read as follows:

“The Recipient shall: (a) ensure that the first annual work plan and budget is prepared within two months of the Effective Date for Parts A, B, C.1 and C.3 of

the Project for the first year of Project implementation, for the approval of the Association, and submit all subsequent annual work plans and budgets to the Association for its approval on or about the anniversary date of the submission of the first annual work plan and budget; (b) cause the Project Implementing Entity to prepare an annual work plan and budget within three months of the effective date of the Agreement Amending the Financing Agreement for Parts C.2 and D of the Project for the first year of Project implementation, for the approval of the Association, and thereafter for each subsequent year of Project implementation on or about December 15; and (c) prepare and cause the Project Implementing Entity to prepare a Procurement Plan for the first year of Project implementation for their Respective Parts of the Project, and submit such plan for the approval of the Association within two months of the Effective Date, and thereafter prepare and cause the Project Implementing Entity to prepare annual updates for their Respective Parts of the Project, to be submitted to the Association for its approval.”

(v) A new paragraph F.9 is added to Section I of Schedule 2 which reads as follows:

“F. Technical Audits

9. The Recipient shall undertake periodic independent technical audits of the implementation of Part C of the Project under terms of reference that are acceptable to the Association and work closely with the Project Implementing Entity in the undertaking of such audits with respect to Part C.2 of the Project. The Recipient shall implement or cause to be implemented the recommendations from such audits in such manner as shall be agreed upon with the Association.”

(vi) Paragraph A.1 (a) and (b) of Section II of Schedule 2 are amended to read as follows:

“A. Project Reports

1. (a) The Recipient shall monitor and evaluate the progress of the Project and prepare or cause to be prepared 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 year commencing from the Effective Date 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) kilometers of roads repaired.
- (ii) number of bridges and culverts repaired or constructed.
- (iii) daily production of potable water at White Plains in million gallons per day.
- (iv) average reduction in travel time on the Monrovia-Buchanan road and the Monrovia-Ganta corridor.
- (v) increase in revenue by LWSC.
- (vi) number of skilled and unskilled laborers employed (number of man-months of employment).
- (vii) number of on-site sanitation facilities rehabilitated.
- (viii) total volume of solid waste removed from Monrovia (metric tonnes or m3).”

(vii) Paragraph B.1 (a), (b) and (c) of Section II of Schedule 2 are amended to read as follows:

“1. The Recipient shall:

(a) establish or cause to be established a financial management system no later than six months after the Effective Date, and maintain or cause the said system to be maintained in accordance with the provisions of Section 4.09 of the General Conditions. Without limitation to the generality of the foregoing, the Recipient shall:

- (i) prepare and adopt a financial management manual for the Project that is satisfactory to the Association;
- (ii) enter into the MOU, which will constitute part of the financial management arrangements set forth in the said manual;
- (iii) install an integrated accounting software system that is satisfactory to the Association; and
- (iv) ensure that prior to the establishment of the financial management system referred to in paragraph B.1 (a) of this Section II, the Project

coordinator, accountant, and procurement specialist work effectively together to ensure that all procurement and payments are effected in a timely manner and adequate records maintained to evidence such payments.

(b) prepare Interim Un-audited Financial Report formats for Parts A, B, C.1 and C.3 of the Project for the approval of the Association within two months of the Effective Date to facilitate the preparation of the said reports pursuant to the provisions of paragraph B.2 of this Section II of this Schedule 2.

(c) (i) appoint an independent auditor under terms of reference that are satisfactory to the Association to carry out financial audits pursuant to Section 4.09 (b) of the General Conditions for Parts A, B, C.1, and C.3 of the Project, within nine months of the Effective Date; and (ii) cause the Project Implementing Entity to carry out financial audits for Parts C.2 and D of the Project in accordance with the provisions of the Project Agreement.”

(viii) Paragraph B.2 of Section II of Schedule 2 is amended to read as follows:

“2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish or cause to be prepared and furnished, to the Association not later than one month after the end of each calendar quarter, Interim Un-audited Financial Reports for the Project covering the quarter, in form and substance satisfactory to the Association.”

(ix) Paragraph A.1 of Section IV of Schedule 2 is amended to read as follows:

“1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions and of this Section and such additional instructions as the Association shall specify by notice to the Recipient, to (a) repay the Project Preparation Advance in accordance with Section 2.07 of the General Conditions; and (b) finance Eligible Expenditures as set forth in the table in paragraph 2 below. Without limitation to the generality of the foregoing, the Recipient hereby authorizes the Project Implementation Entity to withdraw the proceeds of the Financing from time to time allocated to Categories 1 (c), 1 (d), 2 (c), 2 (d), 3 (c), 4 (b) and 8 for Parts C.2 and D of the Project in accordance with the provisions of Article II of the General Conditions, and requests the Association to carry out direct transfers of such financing to the Project Implementation Entity. To this end, the Association shall specify additional instructions for withdrawal of the proceeds of the Financing by the Project Implementing Entity for Parts C.2 and D of the Project jointly to the Recipient and the Project Implementing Entity.”

(x) The table set forth in paragraph A.2 of Section IV of Schedule 2 is deleted and replaced with the table set forth in the schedule (Schedule) to this Agreement Amending the Financing Agreement.

(xi) Part B of Section IV of Schedule 2 is amended to read as follows:

“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 this Agreement; or

(b) under Category 1 (a), 1 (b), and 2 (b) unless the Recipient has submitted to the Association a Road EMP and a Road RAP, as the case may be, that is satisfactory to the Association and disclosed the said document in such manner as may be required by the Association; or

(c) under Category 1 (c) and 2 (c), unless the Project Implementing Entity has entered into a Joint Project Implementation Document with UNMIL that is satisfactory to the Association.

2. Without limitation to the provisions of paragraph B.1 (a) and (b) of this Section IV, no more than the equivalent of three million Dollars (\$3,000,000), can be disbursed from the Grant Account to the Recipient for Parts A, B, C.1 and C.3 of the Project until:

(i) the following staff of the SIU have been appointed with terms of reference, qualifications and experience that are satisfactory to the Association either from existing staff of the Recipient or recruited in accordance with the provisions of Section III of Schedule 2 to this Agreement: a procurement specialist (if that recruited as of the Effective Date is only on a short-term basis), road and water engineers, a transport economist and a environmental specialist; and

(ii) the following staff of the PFMU have been appointed with terms of reference, qualifications and experience that are satisfactory to the Association either from existing staff of the Recipient or recruited in accordance with the provisions of Section III of Schedule 2 to this Agreement: a manager and an internal auditor.

(3). The Closing Date is June 30, 2010.”

ARTICLE II

Effective Date; Termination

Section 2.01. This Agreement Amending the Financing Agreement shall not become effective until the Recipient has furnished to the Association satisfactory evidence that the execution and delivery of this Agreement Amending the Financing Agreement and the Project Agreement on behalf of the Recipient has been duly authorized or ratified by all necessary governmental action, and this Agreement Amending the Financing Agreement is legally binding upon the Recipient in accordance with its terms.

Section 2.02. As part of the evidence to be furnished pursuant to Section 2.01 of this Agreement Amending the Financing Agreement, there shall be furnished to the Association an opinion satisfactory to the Association showing, on behalf of the Recipient that this Agreement Amending the Financing Agreement and the Project Agreement have been duly authorized or ratified by, and executed and delivered on behalf of the Recipient and are legally binding upon the Recipient in accordance with their terms.

Section 2.03. This Agreement Amending the Financing Agreement shall come into force and effect on the date upon which the Association shall dispatch to the Recipient notice of its acceptance of the evidence required by Section 2.01 of this Agreement Amending the Financing Agreement.

Section 2.04. If this Agreement Amending the Financing Agreement shall not come into force and effect by a date ninety (90) days after the date of this Agreement Amending the Financing Agreement, this Agreement Amending the Financing Agreement and all obligations of the parties hereunder shall terminate, unless the Association establishes a later date for the purposes of this Section. If this Agreement Amending the Financing Agreement shall terminate under the provisions of this Section, the Financing Agreement shall continue in full force and effect, as if this Agreement Amending the Financing Agreement had not been executed.

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement Amending the Financing Agreement to be signed in their respective names in Monrovia, Republic of Liberia, as of the day and year first above written.

REPUBLIC OF LIBERIA

By /s/ Antoinette Sayeh

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Luigi Giovine

Authorized Representative

SCHEDULE

“Withdrawal of the Proceeds of the Financing

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<u>Category</u>	<u>Amount of the Initial Financing Allocated (Expressed in SDR Equivalent)</u>	<u>Amount of the Additional Financing Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Works			100%
(a) Parts A and B	13,600,000		
(b) Part C.1		1,810,000	
(c) Part C.2		1,260,000	
(d) Part D		2,520,000	
			100%
(2) Goods			
(a) Parts A and B	1,800,000		
(b) Part C.1		460,000	
(c) Part C.2		1,260,000	
(d) Part D		2,140,000	
(3) Consultants Services			100%
(a) Parts A and B	3,100,000		
(b) Part C.3		390,000	
(c) Part D		40,000	
(4) Training			100%
(a) Part B	200,000		
(b) Part D		70,000	

<u>Category</u>	Amount of the Initial Financing Allocated (Expressed in SDR Equivalent)	Amount of the Additional Financing Allocated (Expressed in SDR Equivalent)	% of Expenditures to be <u>Financed</u>
(5) Operating Costs	70,000	—	100%
(6) Refund of Project Preparation Advance	420,000	—	Amount payable pursuant to Section 2.07 of the General Conditions
(7) Unallocated	1,410,000	640,000	
(8) UNDP Management Fee		610,000	
TOTAL	<u>20,600,000</u> ”	<u>11,200,000</u> ”	