

Public Disclosure Authorized

CONFORMED COPY

GRANT NUMBER H288-COB

Financing Agreement

**(Additional Financing for A Transparency
and Governance Capacity Building Project)**

between

REPUBLIC OF CONGO

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 17, 2007

Public Disclosure Authorized

GRANT NUMBER H288-COB

FINANCING AGREEMENT

AGREEMENT dated July 17, 2007, entered into between REPUBLIC OF CONGO (“Recipient”) and 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). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equivalent to ten million one hundred thousand Special Drawing Rights (SDR 10,100,000) (“Financing”) to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Payment Dates are March 1 and September 1 in each year.
- 2.05. The Payment Currency is Euro.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project in accordance with the provisions of Article IV of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

- 4.01. The Additional Conditions of Effectiveness consists of the following:
 - (a) The Recipient has enhanced its financial management system referred to in Section II B of Schedule 2 to this Agreement in a manner satisfactory to the Association.
 - (b) The Recipient has revised the Project Administrative, Accounting and Financial Manual, in form and substance satisfactory to the Association.
 - (c) The Recipient has recruited: (i) an Accountant; and (ii) the Auditors referred to in Section II B of Schedule 2 to this Agreement, all in accordance with the provisions of Section III, C of Schedule 2 to this Agreement.
 - (d) The Recipient has deposited an initial amount equivalent to \$2,200,000 into the Project Account.
- 4.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Recipient's Representative is the Minister at the time responsible for finance.

5.02. The Recipient's Address is:

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

Facsimile:

242-814145

5.03. The Association's Address is:

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

Cable:

Telex:

Facsimile:

INDEVAS
Washington, D.C.

248423 (MCI)

1-202-477-6391

AGREED in Washington, DC, United States of America, as of the day and year first above written.

REPUBLIC OF CONGO

By /s/ Jean Mbossa Mbolla

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Hartwig Schafer

Authorized Representative

SCHEDULE 1

Description of the Project

The objective of the Project is to assist the Recipient in enhancing governance, transparency and effectiveness in public sector financial management, including the oil sector.

The Project consists of the following parts:

Part 1: Petroleum Sector Governance

Strengthening the financial, legal and technical environment of the Petroleum sector through:

1. carrying out of annual audits of SNPC and quarterly certifications of transfers of oil sector revenues to the State Treasury;
2. conceptualization and installation of a database and an open information management system for the oil sector;
3. strengthening the capacity of the oil sector monitoring units in DGH and MEFB;
4. developing independent oversight mechanisms for oil sector governance and for implementation of EITI;
5. support for implementation of HIPC related oil sector audits and studies; and
6. design of a medium term strategy for development of the oil sector, including key aspects of its governance.

Part 2: Enhancement of Governance Capacity

(a) Strengthening anti-corruption structures through:

1. capacity building and institutional support to the Anti-Corruption Observatory;
2. capacity building and institutional support to the Anti-Corruption Commission;

(b) Strengthening management, organization and procedures for public financial management through:

1. strengthening budget management procedures;
2. strengthening internal organization and management systems in MEFB, and MFP inter alia by carrying out organizational audits; and
3. strengthening MEFB's capacity through provision of training and required equipment.

(c) Computerization of public financial management, including wage bill management, through:

1. support for computerization of the budget process and networking for key ministries, including MEFB, MFP, MDS, MDE, MPATIED and other selected ministries; and
2. support for harmonization of personnel records and development of an integrated personnel data system, including advisory services and training for design and implementation of a unified register for personnel records and linkage between relevant databases for pension and social security administrations.

(d) Strengthening capacity in procurement and public investment management through:

1. support for implementation of public procurement reform, including design and installation of a procurement tracking system and advisory support and training for implementation of new procurement legislation and practices;
2. strengthening of the Recipient's capacity to formulate and implement adequate public investment programs and provision of training to enhance expertise for design and monitoring of individual projects to be included in the public investment program.

Part 3: Project Management and Monitoring and Evaluation

Acquisition of technical advisory services and provision of equipment required to strengthen PCU's capacity to manage and monitor the execution of the Project.

SCHEDULE 2

Project Execution

Section I. Institutional and Implementation Arrangements

A. Institutional Arrangements

The Recipient shall maintain the following institutional structure:

1. IRIC

For purposes of coordination and general oversight of the Project, the Recipient shall establish and maintain IRIC in form and with functions, staffing and resources satisfactory to the Association, until the completion of the Project. IRIC shall be chaired by the Director of Cabinet of MEFB or his substitute, and will be composed of all the General Directors and Directors of the Executing Agencies who shall report directly to the Director of Cabinet. IRIC shall, *inter alia*: (a) facilitate working relations amongst all the Executing Agencies and private sector agencies concerned with Project implementation; (b) review the progress made or being made towards achieving the Project's objectives; (c) approve all decisions regarding the selection of tasks, the awarding of contracts and the selection of consultants; and (d) organize regular operational meetings.

2. PCU

(a) The Recipient shall maintain a PCU under the supervision of IRIC in a form and with functions, staffing and resources satisfactory to the Association until the completion of the Project. PCU shall consist of a number of key staff, appointed in accordance with the provisions of Section III of Schedule 2 to this Agreement, including a Project coordinator, a finance director, a procurement specialist and an accountant. PCU shall be responsible for, in particular, the implementation of Part C.3 of the Project, and in general: (i) the management of Project funds; (ii) installation and maintenance of sound financial and accounting procedures; (iii) procurement activities; (iv) reporting to the Recipient and the Association; (v) organizing quarterly reviews of the Project and reporting to IRIC; and (vi) ensuring coordination of all training activities.

(b) The Recipient shall maintain or cause to be maintained within PCU a Financial Management Section (FMS) in a form and with functions, staffing and resources satisfactory to the Association. The FMS will be headed by a Finance Director and will be responsible in accordance with the Project Administrative, Accounting and Financial Manual (PAAF), for the financial management of the Project including the preparation and production of the annual financial

statements and ensuring that the financial management system for the Project is acceptable to the Association.

B. Implementation Arrangements

1. The Recipient shall implement the Project in accordance with the Project Administrative, Accounting and Financial Manual, and except as the Recipient and the Association shall otherwise agree, the Recipient shall not amend or waive any provision thereof, if in the opinion of the Association, such amendment or waiver may materially and adversely affect the implementation of the Project.
2. The Recipient shall: (a) open and thereafter maintain the Project Account in a commercial bank under terms and conditions acceptable to the Association; (b) deposit into the Project Account an initial amount equivalent to \$2,200,000; and (c) deposit by April 1 of each calendar year during the Project implementation period an additional amount equivalent to \$1,700,000.

C. Anti-Corruption

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

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 agreed with the Association. Each Project Report shall cover the period of one calendar quarter, and shall be furnished to the Association not later than 45 days 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. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association as part of the Project Report, not later than 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 calendar year. The audited Financial Statements for each such period shall be furnished to the Association not later than six months after the end of such period.

Section III. Procurement

A. General

1. **Goods and services other than consultants’ services.** All goods and services other than 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 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 and services other than consultants’ services 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 and services other than consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used:

<u>Procurement Method</u>
(a) 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) Least Cost Selection
(b) Selection based on Consultants’ Qualifications
(c) Single-source Selection
(d) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants

D. Review by the Association of Procurement Decisions

Except as the Association shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the Association: (a) each contract for goods and services other than consultants’ services estimated to cost the equivalent of \$200,000 or more, procured on the basis of International Competitive Bidding; (b) each contract for goods and services other than consultants’ services procured under Direct Contracting; (c) each contract for consultants’ services provided by a firm estimated to cost the equivalent of \$200,000 or more, procured on the basis of Quality and Cost-based Selection or on the basis of Least Cost Selection; (d) the first contract for consultants’ services provided by a firm procured under Selection based on Consultants’ Qualifications; and (e) each contract for the services of individual consultants estimated to cost the equivalent of \$50,000 or more. All other contracts shall be subject to Post Review by the Association.

Section IV. Withdrawal of the Proceeds of the Financing

A. General

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

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

Category	Amount of the Grant Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods	2,170,000	100%
(2) Consultants’ services and training	6,430,000	100%
(3) Operating Costs	1,040,000	100%
(4) Unallocated	460,000	
TOTAL AMOUNT	10,100,000	

B. Withdrawal Conditions; Withdrawal Period

1. The Closing Date is 30 June, 2010.

APPENDIX**Definitions**

1. “Anti-Corruption Commission” means the structure referred to under Part 2 (a) 2 of the Project.
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.
3. “Anti-Corruption Observatory” means the structure referred to under Part 2 (a) 1 of the Project.
4. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
5. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Recipients” published by the Bank in May 2004 and revised in October 2006.
6. “DGH” means *Direction Générale des Hydrocarbures* established with the Recipient’s Ministry in charge of Hydrocarbons.
7. “EITI” means the Extractive Industries Transparency Initiative referred to under Part 1 (4) of 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).
9. “IRIC” means the Inter-ministerial Reform Implementation Committee referred to in Section I A (1) of Schedule 2 to this Agreement.
10. “MDE” means “*Ministère de l’Education*”, the Recipient’s Ministry in charge of Education.
11. “MDS” means “*Ministère de la Santé*”, the Recipient’s Ministry in charge of Health.
12. “MEFB” means *Ministère de l’Economie, des Finances et du Budget*, the Recipient’s Ministry of in charge of finance.
13. “MFP” means *Ministère de la Fonction Publique*, the Recipient’s Ministry in charge of the civil service.

14. “MPATIED” means *Ministère du Plan, de l’Aménagement du Territoire, de l’Intégration Economique et du NEPAD*, the Recipient’s Ministry in charge of planning.
15. “Operating Costs” means incremental operating costs arising under the Project on account of Project coordination, implementation and monitoring activities undertaken by the implementing agencies of the Recipient, including office supplies, vehicle operation and maintenance costs, utilities, communication charges, per diems and travel allowances, but excluding the salaries of the Recipient’s civil service.
16. “Original Financing Agreement” means the development credit agreement for a Transparency and Governance Capacity Building Project between the Recipient and the Association, dated February 27, 2002 as amended to the date of this Agreement (Credit No 3600).
17. “Original Project” means the Project described in the Original Financing Agreement.
18. “PCU” means the Project Coordination Unit referred to under Part 3 of the Project.
19. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006.
20. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated 30 January, 2007 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
21. “Project Administrative, Accounting and Financial Manual” or “PAAF” means the manual outlining the administrative, financial, accounting, disbursement and procurement arrangements and procedures for the implementation of the Project.
22. “SNPC” means *Société Nationale des Pétroles du Congo*, the Recipient’s National Petroleum Company, established pursuant to Law No. 1/98 dated April 23, 1998.