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GRANT NUMBER H560-TG

Financing Agreement

(Third Economic Recovery and Governance Grant)

between

REPUBLIC OF TOGO

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 8, 2010

GRANT NUMBER H560-TG

FINANCING AGREEMENT

AGREEMENT dated June 8, 2010, entered into between REPUBLIC OF TOGO (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Association has decided to provide this financing on the basis, *inter alia*, of: (a) the actions which the Recipient has already taken under the Program and which are described in Section I of Schedule 1 to this Agreement; and (b) the Recipient’s maintenance of an appropriate macro-economic policy framework.

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 seven hundred thousand Special Drawing Rights (SDR 10,700,000) (variously, “Grant” and “Financing”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in support of the Program in accordance with Section II of Schedule 1 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 January 1 and July 1 in each year.
- 2.05. The Payment Currency is Euro.

ARTICLE III — PROGRAM

- 3.01. The Recipient declares its commitment to the Program and its implementation. To this end:
- (a) the Recipient and the Association shall from time to time, at the request of either party, exchange views on the Recipient's macroeconomic policy framework and the progress achieved in carrying out the Program;
 - (b) prior to each such exchange of views, the Recipient shall furnish to the Association for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Association shall reasonably request; and
 - (c) without limitation upon the provisions of paragraphs (a) and (b) of this Section, the Recipient shall promptly inform the Association of any situation that would have the effect of materially reversing the objectives of the Program or any action taken under the Program, including any action specified in Section I of Schedule 1 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

- 4.01. An Additional Event of Suspension shall occur if a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. An Additional Condition of Effectiveness shall be that the Association is satisfied with the progress achieved by the Recipient in carrying out the Program and with the adequacy of the Recipient's macroeconomic policy framework.
- 5.02. 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 the Minister of the Recipient at the time responsible for finance.

6.02. The Recipient's Address is:

Ministry of Economy and Finance
Immeuble CASEF
B.P. 387
Lomé
Togo

Facsimile:

228-221-0905

6.03. The Association's Address is:

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

Cable address:

Telex:

Facsimile:

INDEVAS

248423(MCI) or

1-202-477-6391

Washington, D.C.

64145(MCI)

AGREED at Lomé, Republic of Togo, as of the day and year first above written.

REPUBLIC OF TOGO

By /s/ Adjì Otèth Ayassor

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Hervé Assah

Authorized Representative

SCHEDULE 1

Program Actions; Availability of Financing Proceeds

Section I. Actions Taken Under the Program

The actions taken by the Recipient under the Program include the following:

1. (i) Publication of the Recipient's 2009 quarterly budget execution report; and (ii) submission to the Recipient's Parliament of the draft 2010 budget law with a medium-term expenditure framework for two priority ministries (i.e., Education and Health).
2. Availability of at least 80 percent of the Recipient's budgetary allocations for poverty reduction activities (pursuant to the authorization of expenditures for the priority ministries) by end February 2009, and availability of the remaining 20 percent by end October 2009.
3. Installation and operation of the SIGFIP information system in the Recipient's Treasury department.
4. Preparation and implementation of a procedures manual for the Recipient's General Finance Inspectorate (*Inspection Générale des Finances*).
5. Establishment and operation of the Recipient's Court of Accounts as evidenced by (a) the issuance of the implementation decree (*Décret no. 2009-049/PR portant application de la loi no. 98-014 du 10 juillet 1998 relative à l'organisation et au fonctionnement de la Cour des comptes*) of an organic law creating such court; (b) the adoption of such organic law (*Loi Organique no. 2009-003 Portant Statut des Magistrats de la Cour des Comptes*) which defines the standing of such court; and (c) the provision of adequate budget therefor.
6. Establishment and operation of the General Procurement Department; and creation of commissions to conduct ex-ante procurement control (*Service de contrôle des marchés publics - SCMP*) in at least five priority ministries and the Lomé municipal office.
7. Preparation of an assessment report on NSCT's management information and cost accounting system that proposes the design for a new accounting system software.
8. Adoption by the main stakeholders of a regulatory framework for the cotton sector that specifies the roles, responsibilities and obligations of sector stakeholders and mechanisms to ensure representation of local producers within the governing board of the NSCT.

9. Adoption of the legal and institutional framework with the objective of becoming a candidate country within the EITI as evidenced by the issuance of (a) a decree (*Décret no. 2010-024/PR portant création, attributions, composition, organisation et fonctionnement des organes de mise en œuvre de l'Initiative pour la Transparence des Industries Extractives (ITIE)*) creating one or more committees for including participants from the civil society, government and extractive industry; and (b) a decree (*Décret no. 2010-028/PR portant nomination du Coordinateur de l'Initiative pour la Transparence des Industries Extractives (ITIE)*) nominating a national coordinator.
10. Publication of the reconciliation results of the 2008 revenues generated from phosphate sales with revenues received by the Recipient's Treasury that year.
11. (i) Preparation of a time-bound plan for the settlement of public and para-public arrears which are due and payable to CEET and identification of measures to prevent further accumulation of arrears, and (ii) settlement of the Recipient's arrears and other payment obligations due to CEET (through securitization).

Section II. Availability of Financing Proceeds

- A. General.** The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of this Section and such additional instructions as the Association may specify by notice to the Recipient.
- B. Allocation of Financing Amounts.** The Financing is allocated in a single tranche, from which the Recipient may make withdrawals. The allocation of the amounts of the Financing to this end is set out in the table below:

Allocations	Amount of the Financing Allocated (expressed in SDR)
(1) Single Withdrawal Tranche	10,700,000
TOTAL AMOUNT	10,700,000

C. Withdrawal Tranche Release Conditions

1. No withdrawal shall be made of the Single Withdrawal Tranche unless the Association is satisfied (a) with the Program being carried out by the Recipient, and (b) with the appropriateness of the Recipient's macroeconomic policy framework.

D. Deposit of Financing Amounts

1. The Recipient shall open, prior to furnishing to the Association the first request for withdrawal from the Financing Account, and thereafter maintain a dedicated deposit account (“Deposit Account”) on terms and conditions satisfactory to the Bank:
2. The Recipient shall ensure that upon each deposit of an amount of the Financing into the Deposit Account, an equivalent amount is accounted for in the Recipient’s budget management system, in a manner acceptable to the Association.

E. Audit. Upon the Association’s request, the Recipient shall:

1. have the Deposit Account audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association;
2. furnish to the Association as soon as available, but in any case not later than four months after the date of the Association’s request for such audit, a certified copy of the report of such audit, of such scope and in such detail as the Association shall reasonably request; and
3. furnish to the Association such other information concerning the Deposit Account and its audit as the Association shall reasonably request.

F. Excluded Expenditures. The Recipient undertakes that the proceeds of the Financing shall not be used to finance Excluded Expenditures. If the Association determines at any time that an amount of the Financing was used to make a payment for an Excluded Expenditure, the Recipient shall, promptly upon notice from the Association, refund an amount equal to the amount of such payment to the Association. Amounts refunded to the Association upon such request shall be cancelled.

G. Closing Date. The Closing Date is December 31, 2010.

APPENDIX

Section I. Definitions

1. “CEET” means the *Compagnie Energie Electrique du Togo*, the public utility established in accordance with the Recipient’s Decree No. 2006-013/PR dated February 22, 2006 and operating under the laws of the Recipient, and in charge of the distribution of electricity in the Recipient’s territory
2. “Deposit Accounts” means the dedicated deposit account referred to in Section II.D.1 of Schedule 1 to this Agreement.
3. “EITI” means the Extractive Industries Transparency Initiative, a coalition of governments, companies, civil society groups, investors and international organizations which aims to strengthen governance by improving transparency and accountability in the extractives sector.
4. “Excluded Expenditure” means any expenditure:
 - (a) for goods or services supplied under a contract which any national or international financing institution or agency other than the Association or the Bank has financed or agreed to finance, or which the Association or the Bank has financed or agreed to finance under another credit, grant or loan;
 - (b) for goods included in the following groups or sub-groups of the Standard International Trade Classification, Revision 3 (SITC, Rev.3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev.3 (1986) (the SITC), or any successor groups or subgroups under future revisions to the SITC, as designated by the Association by notice to the Recipient:

Group	Sub-group	Description of Item
112		Alcoholic beverages
121		Tobacco, un-manufactured, tobacco refuse
122		Tobacco, manufactured (whether or not containing tobacco substitutes)
525		Radioactive and associated materials

667		Pearls, precious and semiprecious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors
728	728.43	Tobacco processing machinery
897	897.3	Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
971		Gold, non-monetary (excluding gold ores and concentrates)

- (c) for goods intended for a military or paramilitary purpose or for luxury consumption;
 - (d) for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws of the Recipient or international agreements to which the Recipient is a party);
 - (e) on account of any payment prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and
 - (f) with respect to which the Association determines that corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Recipient or other recipient of the Financing proceeds, without the Recipient (or other such recipient) having taken timely and appropriate action satisfactory to the Association to address such practices when they occur.
5. "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.

6. “NSCT” means the *Nouvelle Société Cotonnière du Togo*, a cotton ginning and marketing company established in the Recipient’s territory pursuant to Decree No. 2009-011/PR of January 23, 2009.
7. “Program” means the program of actions, objectives and policies designed to promote growth and achieve sustainable reductions in poverty and set forth or referred to in the letter dated March 23, 2010 from the Recipient to the Association declaring the Recipient’s commitment to the execution of the Program, and requesting assistance from the Association in support of the Program during its execution.
8. “SIGFIP” means the Recipient’s integrated public finance management system (*système intégré de gestion des finances publiques*).
9. “Single Withdrawal Tranche” means the amount of the Financing allocated to the category entitled “Single Withdrawal Tranche” in the table set forth in Part B of Section II of Schedule 1 to this Agreement.

Section II. Modifications to the General Conditions

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

1. The last sentence of paragraph (a) of Section 2.03 (relating to Applications for Withdrawal) is deleted in its entirety.
2. Sections 2.04 (*Designated Accounts*) and 2.05 (*Eligible Expenditures*) are deleted in their entirety, and the remaining Sections in Article II are renumbered accordingly.
3. Section 2.05 (renumbered as such pursuant to paragraph 2 above) is modified to read as follows:

“Section 2.05. *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.”

4. Sections 4.01 (*Project Execution Generally*), and 4.09 (*Financial Management; Financial Statements; Audits*) are deleted in their entirety, and the remaining Sections in Article IV are renumbered accordingly.
5. Paragraph (a) of Section 4.05 (renumbered as such pursuant to paragraph 3 above and relating to *Use of Goods, Works and Services*) is deleted in its entirety.
6. Paragraph (c) of Section 4.06 (renumbered as such pursuant to paragraph 3 above) is modified to read as follows:

“Section 4.06. *Plans; Documents; Records*

... (c) The Recipient shall retain all records (contracts, orders, invoices, bills, receipts and other documents) evidencing expenditures under the Financing until two years after the Closing Date. The Recipient shall enable the Association’s representatives to examine such records.”

7. Section 4.07 (renumbered as such pursuant to paragraph 3 above) is modified to read as follows:

“Section 4.07. *Program Monitoring and Evaluation*

... (c) The Recipient shall prepare, or cause to be prepared, and furnish to the Association not later than six months after the Closing Date, a report of such scope and in such detail as the Association shall reasonably request, on the execution of the Program, the performance by the Recipient and the Association of their respective obligations under the Legal Agreements and the accomplishment of the purposes of the Financing.”

8. 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 definition of the term “Eligible Expenditure” is modified to read as follows:

“‘Eligible Expenditure’ means any use to which the Financing is put in support of the Program, other than to finance expenditures excluded pursuant to the Financing Agreement.”

- (b) The term “Financial Statements” and its definition as set forth in the Appendix are deleted in their entirety.

- (c) The term “Project” is modified to read “Program” and its definition is modified to read as follows:

“‘Program’ means the program referred to in the Financing Agreement in support of which the Financing is made.” All references to “Project” throughout these General Conditions are deemed to be references to “Program”.

- (a) The term “Program Preparation Advance” (renamed as such pursuant to subparagraph 8 (c) above) 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 2.05.”