

CONFORMED

GRANT NUMBER H6120 -CA

Financing Agreement

(Third Economic Management and Governance Reform Grant)

between

CENTRAL AFRICAN REPUBLIC

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated October 9, 2010

FINANCING AGREEMENT

AGREEMENT dated October 9, 2010, 2010, entered into between the CENTRAL AFRICAN REPUBLIC (“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 the Recipient’s maintenance of an appropriate macroeconomic policy framework. The Recipient and the Association therefore 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 up to five million eight hundred thousand Special Drawing Rights (SDR 5,800,000) (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 June 15 and December 15 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 and the actions specified in Section I of Schedule 1 to this Agreement;

- (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. The Additional Condition of Effectiveness consists of the following: 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 Recipient's Minister of State for Planning, Economy and International Cooperation (or any Permitted Successor).

6.02. The Recipient's Address is:

Minister of State for Planning, Economy and International Cooperation
Ministry of Planning, Economy and International Cooperation
Rue Martin Luther King
BP 696, Bangui
Central African Republic

Facsimile:

+ 236-21-619689

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
Washington, D.C.

248423(MCI) or
64145(MCI)

1-202-477-6391

AGREED at Washington DC, USA, as of the day and year first above written.

CENTRAL AFRICAN REPUBLIC

By //s// Sylvain Maliko
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By //s// Mary Barton-Dock
Authorized Representative

SCHEDULE 1

Program Actions; Availability of Financing Proceeds

Section I. Actions under the Program

A. Actions Taken Under the Program. The actions taken by the Recipient under the Program include the following:

1. (A) The Recipient's commitment plans (*programmes d'emplois*) for the year 2010 in respect of each Priority Sector Ministry have been approved, in each case, by (i) the "ordonnateur" (i.e., the relevant Priority Sector Ministry); (ii) the Recipient's credit administrator (*administrateur de crédit*) within the Recipient's Ministry of Plan, Economy and International Cooperation; and (iii) the Recipient's Director of Financial Control (*Directeur du Contrôle Financier*) within the Recipient's Ministry of Finance and Budget, and (B) procurement plans (*plans prévisionnelles de passation de marchés*), consistent with the associated commitment plans, have been adopted, in each case, by: (i) the relevant Priority Sector Ministry; (ii) the Recipient's General Director of Public Procurement (*Directeur Général des Marchés Publics*); and (iii) the Recipient's Ministry of Finance and Budget.
2. The Recipient's Minister of Finance and Budget has adopted and publicly disclosed (e.g., in newspapers) the Arrears Order setting forth, *inter alia*, eligibility criteria for the settlement of arrears in respect of commercial suppliers under the Domestic Arrears Clearance Plan.
3. The budget nomenclature under the Recipient's 2010 budget law (*loi de finances 2010*) has been harmonized with the accounting nomenclature under the Recipient's 2010 accounting plan (*plan comptable 2010*), which is based on current OHADA norms.
4. The Recipient's Minister of Finance and Budget has adopted the Tax Exoneration Instruction Note which sets forth, *inter alia*, guidelines and procedures for the processing of tax exemptions in the Recipient's territory as well as the requirement for the Recipient's Director of Tax Administration (*Directeur Général des Impôts et des Domaines*) and the Recipient's Director of Customs (*Directeur Général des Douanes*) to each provide to the CICEFD, on a monthly basis, the list of approved tax exemptions.
5. The CMAEA's Secretariat has (1) prepared reports that, *inter alia*,: (i) identify the costs related to the creation of business and the transfer of urban commercial real property (*mutation d'immeubles urbains bâtis et non-bâtis*), (ii) identify the relevant laws and regulations relating to these costs, and (iii) propose measures to be taken to reduce these costs by amendment or repeal of these laws and regulations; and (2) submitted such reports to CEMAEA.

B. Actions to be Taken Under the Program. The actions to be taken by the Recipient under the Program include the following:

1. The Recipient's Court of Account has published its report on the implementation of the Recipient's 2008 budget law (*loi des finances 2008*) and the Recipient's Ministry of

- Finance and Budget has submitted the 2008 budget review law (*loi de reglement 2008*) to the Recipient's Parliament.
2. The ARMP has endorsed a report which assesses the Recipient's compliance with the provisions of the Procurement Code and identifies any necessary corrective measures.
 3. The Recipient has settled at least CFAF500,000,000 of arrears due to small- and medium-businesses in accordance with the Arrears Order.
 4. The Recipient has adopted: (i) a framework document for a national tracking system, and (ii) a framework document for a system of verification of the legality of timber productions, in compliance with FLEGT.
 5. The Recipient has posted on official websites its second EITI report covering years 2007, 2008 and 2009, and such report has been disseminated in the Recipient's territory.
 6. The Recipient has adopted legislation and/or regulations on the downstream petroleum sector which: (i) set forth the respective roles and responsibilities of each of the ASRP, SOCASP and the Recipient's Ministry of Mines and Energy (*Ministère des mines et de l'énergie*) in the downstream petroleum sector; and (ii) set forth the methodology for determining the price of petroleum products in the Recipient's territory.
 7. An audit report on, *inter alia*, the use of funds by the ASRP has been prepared by an independent consultant(s) and endorsed by the Recipient's Ministry of Finance and Budget.
 8. The Recipient has reduced administrative costs arising from (A) the creation of a business and (B) the transfer of urban commercial real property (*mutation d'immeubles urbains bâtis et non-bâtis*) by amending the Recipient's Registration Code (*Code de l'enregistrement*) so as to reduce the registration fees in connection with: (i) the creation of a business; and (2) the transfer of urban commercial real property (*mutation d'immeubles urbains bâtis et non-bâtis*), each by at least fifty percent (50%).

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 two withdrawal tranches, from which the Recipient may make withdrawals of the Financing. 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) First Withdrawal Tranche	2,900,000
(2) Second Withdrawal Tranche	2,900,000
TOTAL AMOUNT	5,800,000

C. Withdrawal Tranche Release Conditions.

1. No withdrawal shall be made of the First 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.
2. No withdrawal shall be made of the Second Withdrawal Tranche unless the Association is satisfied, after an exchange of views as described in Sections 3.01 (a) and (b) of this Agreement based on evidence satisfactory to the Association:
 - (a) with the progress achieved by the Recipient in carrying out the Program;
 - (b) that the macroeconomic policy framework of the Recipient is appropriate; and
 - (c) that the actions described in Part B of Section I of this Schedule have been taken.

If, after this exchange of views, the Association is not so satisfied, it may give notice to the Recipient to that effect and, if within ninety (90) days after the notice, the Recipient has not taken steps satisfactory to the Association with respect to paragraphs (a),(b) and (c) above, then the Association may, by notice to the Recipient, cancel all or any part of the Unwithdrawn Financing Balance.

D. Deposit of Financing Amounts.

Except as the Association may otherwise agree:

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 account in CFAF (“Dedicated Accounts”) on terms and conditions satisfactory to the Bank;

2. the Recipient shall ensure that all withdrawals from the Financing Account shall be deposited by the Association into the Dedicated Account; and
3. the Recipient shall ensure that upon each deposit of an amount of the Financing into the Dedicated Account, an equivalent amount is accounted for in the Recipient's budget management system, in a manner acceptable to the Association.

F. Audit. Upon the Association's request, the Recipient shall:

1. have the Dedicated 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 make such report publicly available in a timely fashion and in a manner acceptable to the Association; and
3. furnish to the Association such other information concerning the Dedicated Account and its audit as the Association shall reasonably request.

G. 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.

H. Closing Date. The Closing Date is April 1, 2011.

APPENDIX

Section I. Definitions

1. “ASRP” means the Recipient’s Agency for Petroleum Product Price Stabilization and Regulation (*Agence de Stabilisation et de Régulation des Prix des Produits Pétroliers*) established pursuant to the Recipient’s law N° 07.006 of April 24, 2007 entitled “*Loi No.07.006 portant création de l’Agence de Stabilisation et de Régulation des Prix des Produits Pétroliers*”.
2. “ARMP” means the Recipient’s Public Procurement Regulatory Authority (*Autorité de Régulation des Marchés Publics*) established pursuant to the Recipient’s decree N°09.058 of February 27, 2009 entitled “*Décret No09.058 portant Organisation et Fonctionnement de l’Autorité de Régulation des Marchés Publics de la République Centrafricaine*”.
3. “Arrears Order” means order no. 361/10/MFB/DIR-CAB dated August 3, 2010 defining the criteria and procedures for the settlement of arrears adopted by the Recipient’s Ministry of Finance and Budget.
4. “CMAEA” means the Recipient’s Joint Committee responsible for the Improvement of Business Environment (*Comite Mixte chargé de l’Amélioration de l’Environnement des Affaires*) established pursuant to the Recipient’s Prime Minister’s order N° 002 of April 15, 2010.
5. “CICEFD” means the Recipient’s inter-ministerial committee in charge of customs and tax exemptions (*comité interministérielle chargé des exonérations fiscales et des douanes*) established pursuant to the Recipient’s decree No07.380 of December 27, 2007 entitled “*Décret No07.380 portant création d’un comité interministériel chargé des exonérations fiscales et des douanières en date du 27 décembre 2007*”.
6. “CFAF” means the lawful currency of the Recipient, which is the Central African CFA (Financial Cooperation in Central Africa (*Coopération financière en Afrique centrale*)) franc, issued by the Bank of Central African States (*Banque des États de l’Afrique Centrale*).
7. “Dedicated Account” means the account referred to in Part D.1(a) of Section II of Schedule 1 to this Agreement.
8. “Domestic Arrears Clearance Plan” means the plan adopted by the Recipient in November 2008 relating to the reduction of its domestic debt.
9. “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.
10. “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.
11. “First Withdrawal Tranche” means the amount of the Financing allocated to the category entitled “First Withdrawal Tranche” in the table set forth in Part B of Section II of Schedule 1 to this Agreement.
 12. “FLEGT” means the European Union's Forest Law Enforcement, Governance and Trade (FLEGT) action plan approved by the Council of the European Union in October 2003.
 13. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010 with the modifications set forth in Section II of this Appendix.
 14. “Permitted Successor” means, to the extent there no longer is a position of Recipient Minister of State for Planning, Economy and International Cooperation, the minister who, at the time, represents to the Association’s satisfaction to be duly authorized pursuant to the laws of the Recipient to take any action under the Legal Agreements for and on behalf of the Recipient.
 15. “Priority Sector Ministry” means each of the Recipient’s (i) Ministry of Health (*Ministère de la Santé*); (ii) Ministry of Disenclavement and Equipment (*Ministère du Désenclavement et de l’Équipement*); (iii) Ministry of Transport (*Ministère du Transport*); (iv) Ministry of National Education (*Ministère de l’Éducation Nationale*); (v) Ministry of Social Affairs (*Ministère des Affaires Sociales*); (vi) Ministry of Rural Development (*Ministère du Développement Rural*); and (vii) Ministry of Energy and Water (*Ministère de l’Énergie et de l’Hydraulique*).
 16. “Procurement Code” means the Recipient’s new procurement code established pursuant to the Recipient’s law N° 08.017 of June 6, 2008.
 17. “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 August 18, 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.
 18. “Second Withdrawal Tranche” means the amount of the Financing allocated to the category entitled “Second Withdrawal Tranche” in the table set forth in Part B of Section II of Schedule 1 to this Agreement.

19. “SOCASP” means *Société Centrafricaine de Stockage des Produits Pétroliers*, the Recipient’s state-owned company operating in the storage of petroleum products.
20. “Tax Exoneration Instruction Note” means the instruction note adopted on August 3, 2010 pursuant to a ministerial instruction (*instruction ministérielle*) no.751/10/MFB/DIR-CAB by the Recipient’s Minister of Finance and Budget.

Section II. Modifications to the General Conditions

The modifications to the General Conditions 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. 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.
4. 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.
5. 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.”

6. 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.”

7. 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”.