H.E. Gilbert Ondongo  
Minister of Economy, Finance, Planning, Public Portfolio and Integration  
Ministry of Economy, Finance, Planning, Public Portfolio and Integration B.P. 2083  
Brazzaville  
Republic of Congo

Re: Republic of Congo: Advance Agreement for Preparation of Proposed Skills Development for Employability Project  
Project Preparation Advance No.O-874

Excellency:

In response to the request for financial assistance made on behalf of the Republic of Congo ("Recipient"), I am pleased to inform you that the International Development Association ("World Bank") proposes to extend to the Recipient an advance out of the World Bank's Project Preparation Facility in an amount not to exceed nine hundred thirty thousand United States Dollars ($930,000) ("Advance") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in financing the activities described in the Annex ("Activities"). The objective of the Activities is to facilitate the preparation of a proposed Skills Development for Employability project designed to improve job and entrepreneurship skills for vulnerable urban youth in order to improve their labor market insertion and earnings ("Project"), for the carrying out of which the Recipient has requested the World Bank's financial assistance.

The Recipient represents, by confirming its agreement below, that: (a) it understands that the provision of the Advance does not constitute or imply any commitment on the part of IBRD or IDA to assist in financing the Project; and (b) it is authorized to enter into this Agreement and to carry out the Activities, repay the Advance and perform its other obligations under this Agreement, all in accordance with the provisions of this Agreement.

Please confirm the Recipient's agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the countersignature; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received this countersigned copy within 90 days after the date of signature of this Agreement by the World Bank, unless the World Bank has established a later date for such purpose.
Very truly yours,
INTERNATIONAL DEVELOPMENT ASSOCIATION

By
Eustache Ouayoro
Country Director for the Republic of Congo
Africa Region

AGREED:
REPUBLIC OF CONGO

By
Authorized Representative
Name
Title
Date: 2010-09-20

Enclosures:


(2) Disbursement Letter for the Advance of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006.
Article I
Standard Conditions; Definitions


1.02. Definitions. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement.

(a) “PMU” means the Project Management Unit of the Water, Electricity and Urban Development Project (PEEDU), within the Ministry of Equipment and Public Works, as referred to in Section 2.02 of this Annex.

(b) “METPFQUE” means the Ministry of Technical and Profession Education, Qualifying Training and Employment, or any successor thereto, as referred to in Section 2.03(c) of this Annex.

(c) “PCU” means the Projects’ Coordination Unit under METPFQUE, as referred to in Section 2.03(c) of this Annex.

Article II
Execution of the Activities

2.01. Description of the Activities. The Activities for which the Advance is provided consist of the following parts:

Provision of technical assistance for:

(i) developing Project Implementation Manual (PIM) for the Project;
(ii) drafting the terms of references for training providers;
(iii) hiring of Procurement and Financial Management Specialists to support PCU’s fiduciary responsibilities;
(iv) setting up a monitoring and evaluation system;
(v) designing the Project’s impact evaluation;
(vi) preparing the Project’s communication and outreach activities;
(vii) preparing a market assessment for the apprenticeship program to be implemented under the Project;
(viii) collecting baseline data on supply of skills in the Recipient’s territory;
(ix) initiating a study on global value chain and workforce development in the Recipient’s territory; and
(x) organizing a Project launch workshop.
2.02. Execution of the Activities Generally. The Recipient declares its commitment to the objectives of the Activities. To this end, the Recipient shall carry out the Activities through the Project Management Unit (PMU) of the Water, Electricity and Urban Development Project (PEEDU) within the Ministry of Equipment and Public Works, in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) this Article II; and (c) the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011.

2.03. Institutional and Other Arrangements. Without limitation upon Section 2.02 above:

(a) The Recipient shall, throughout the period of implementation of the Activities, maintain within its Ministry of Equipment and Public Works the PMU with terms of reference, staffing and resources acceptable to the World Bank, to be responsible for: (i) coordinating the implementation of the Activities; (ii) managing the Activities; and (iii) handling the fiduciary aspects of the Activities.

(b) Without limitation upon the foregoing, the Recipient shall ensure that the PMU is at all times staffed with qualified staff in adequate numbers, and with qualifications and experience and terms of reference satisfactory to the World Bank.

(c) The Recipient shall ensure that the overall fiduciary responsibilities of the PMU are transferred to the Project Coordination Unit (PCU) of the METPFQE, once the fiduciary capacity of PCU is strengthened, latest by the effectiveness.

2.04. Monitoring, Reporting and Evaluation of the Activities. The Recipient shall monitor and evaluate the progress of the Activities in accordance with the provisions of Section 2.08 of the Standard Conditions.

2.05. Financial Management. (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.09 of the Standard Conditions.

(b) The Recipient shall ensure that interim un-audited financial reports for the Activities are prepared and furnished to the World Bank not later than forty-five (45) days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Sections 2.09 (b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one fiscal year of the Recipient, commencing with the fiscal year in which the first withdrawal under the Advance was made. The audited Financial Statements for such period shall be furnished to the World Bank not later than six months after the end of such period.

(i) If, on or before the Refinancing Date, a Refinancing Agreement has been executed by all of its parties, the Recipient shall have the Financial Statements included in the first audit of financial statements required under the Refinancing Agreement.
If, by the Refinancing Date, no Refinancing Agreement has been executed by all of its parties, such audit of the Financial Statements shall cover the period of the Advance, commencing with the fiscal year in which the first withdrawal under the Advance was made. The audited Financial Statements for such period shall be furnished to the World Bank not later than six months after the end of the Recipient’s fiscal year in which the Refinancing Date occurs.

Notwithstanding the provisions of paragraphs (i) and (ii) of this Section, the World Bank may request an audit of the Financial Statements prior to the Refinancing Date, covering such period as is indicated in its request. The audited Financial Statements for such period shall be furnished to the World Bank not later than six months after the end of such period.

2.06. Procurement

(a) General. All goods, non-consulting services and consultants’ services required for the Activities and to be financed out of the proceeds of the Advance shall be procured in accordance with the requirements set forth or referred to in:

(i) Section I of the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Procurement Guidelines”), in the case of goods and non-consulting services;

(ii) Sections I and IV of the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Consultant Guidelines”) in the case of consultants’ services; and

(iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Activities in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines (“Procurement Plan”).

(b) Definitions. The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

(c) Particular Methods of Procurement of Goods and Non-consulting Services

(i) Except as otherwise provided in sub-paragraph (ii) below, goods and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

(ii) The following methods, other than International Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts specified in the Procurement Plan: (A) National Competitive Bidding; (B) Shopping; and (D) Direct Contracting.
(d) **Particular Methods of Procurement of Consultants’ Services**

(i) Except as otherwise provided in item (ii) below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) The following methods may be used for the procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (A) Quality-based Selection; (B) Selection under a Fixed Budget; (C) Least Cost Selection; (D) Selection based on Consultants’ Qualifications; (E) Single-source Selection of consulting firms; (F) Selection of Individual Consultants; and (G) Single-source procedures for the Selection of Individual Consultants.

(e) **Review by the World Bank of Procurement Decisions.** The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. All other contracts shall be subject to Post Review by the World Bank.

### Article III
#### Withdrawal of the Advance

3.01. **Eligible Expenditures.** The Recipient may withdraw the proceeds of the Advance in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may 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 World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies each category of Eligible Expenditures that may be financed out of the proceeds of the Advance (“Category”), the amount of the Advance allocated to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Advance (expressed in Dollars)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods, Consultant Services, Non-consultant Services, Training, and Operating Costs</td>
<td>930,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>930,000</td>
<td></td>
</tr>
</tbody>
</table>

For the purpose of this Section the terms: (a) “Training” means the following expenditures incurred in providing training, seminars or workshops: (i) travel by participants and presenters to the training or workshop site; (ii) per diem allowances of such persons during the training or workshop; (iii) honoraria for the presenters; (iv) rental of facilities; (v) materials, supplies; and (vi) translation and interpretation services; and (b) “Operating Costs” means the reasonable cost of the following expenditures incurred under the Project: (i) salaries of staff involved in carrying out the Activities (excluding civil servants); (ii) per diem and travel expenses of staff required to
perform their responsibilities under the Activities; (iii) fuel, and vehicle maintenance and insurance services; (iv) communication services (including, without limitation, internet and telephone service); (v) rent for office space and building security and office maintenance services; (vi) translation services, photocopies and publications; and (vii) utilities.

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient.

3.03. **Refinancing Date.** The Refinancing Date is December 17, 2013.

**Article IV**
**Terms of the Advance**

4.01. **Service Charge.** The Recipient shall pay a service charge on the Withdrawn Advance Balance at the rate of three-fourths of one percent (3/4 of 1%) per annum. The service charge shall accrue from the respective dates on which amounts of the Advance are withdrawn and shall be paid in arrears in accordance with the provisions of Section 4.02 of this Agreement. Service charges shall be computed on the basis of a 360-day year of twelve 30-day months.

4.02. **Repayment.** The Withdrawn Advance Balance shall be repaid by the Recipient to the World Bank (together with any service charges accrued thereon) in accordance with the provisions of Article IV of the Standard Conditions and the following provisions:

(a) **Refinancing under the Refinancing Agreement:** If, on or before the Refinancing Date, a Refinancing Agreement has been executed by all of its parties, then the full amount of the Withdrawn Advance Balance shall be repaid to the World Bank (together with any service charges accrued on the Advance to the date of repayment) as soon as the Refinancing Agreement becomes effective, by means of a withdrawal by the World Bank of an amount of the Refinancing Proceeds equivalent to the Withdrawn Advance Balance plus such service charges, in accordance with the provisions of the Refinancing Agreement.

(b) **Repayment in the absence of a Refinancing Agreement:** If, on or before the Refinancing Date, no Refinancing Agreement has been executed by all of its parties, or if, by such date or at any time thereafter, it has been so executed but terminates without becoming effective, then:

(i) if the amount of the Withdrawn Advance Balance does not exceed $50,000, it shall be repaid by the Recipient to the World Bank (together with service charges accrued on the Withdrawn Advance Balance to the date of repayment) on such date as the World Bank shall specify in a notice to the Recipient, which shall in no event be earlier than 60 days following the date of dispatch of such notice; and

(ii) if the amount of the Withdrawn Advance Balance exceeds $50,000, it (together with service charges accrued on the Withdrawn Advance Balance to the Notice Date) (the "Aggregate Balance") shall be paid by the Recipient to the World
Bank in ten approximately equal semiannual installments, in the amounts and on
the dates ("Payment Dates") which the World Bank shall specify in a notice to
the Recipient. In no event shall the first Payment Date be set earlier than 60 days
following the date ("Notice Date") of dispatch of such notice. The Recipient
shall pay a service charge on the Aggregate Balance at the rate of three-fourths of
one percent (3/4 of 1%) per annum, payable in arrears on each Payment Date. The
service charge shall be computed on the basis of a 360-day year of twelve
30-day months.

Article V
Recipient’s Representative; Addresses

5.01. **Recipient’s Representative.** The Recipient’s Representative referred to in Section 9.02
of the Standard Conditions is Minister at the time responsible for finance.

5.02. **Recipient’s Address.** The Recipient’s Address referred to in Section 9.01 of the Standard
Conditions is:

Ministère l’Économie, des Finances, du Plan, du portefeuille public et de l’intégration

B.P. 2083
Brazzaville
Republic of Congo

Facsimile:

(242) 281-08-35

5.03. **World Bank’s Address.** The World Bank’s Address referred to in Section 9.01 of the
Standard Conditions is:

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

Cable: Telex: Facsimile:

INDEVAS 248423 (MCI) or 1-202-477-6391
Washington, D.C. 64145 (MCI)
### A. Information to be provided by the task team leader and/or the recipient or gathered by the FMS

<p>| | |</p>
<table>
<thead>
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</table>
| **1.** Name and contact information of the recipient organization(s) | Water Electricity and Urban Development Project (PEEDU) P106975  
BP 2099 Brazzaville,  
Tel: 00242 05556 8787  
Email: pedu_congo@yahoo.fr |
| **2.** Experience with World Bank operations, e.g., receipt of previous grants. | The unit has significant experience in implementing World Bank’s financed projects. It is implementing the above mentioned project since effectiveness with overall rating as Satisfactory. It has recently implemented the PPA of the Economic Support to Diversification Project - PADE (P118561). |
| **3.** Amount of the proposed Credit (US Dollars) | USD 930,000.00 |
| **4.** Are there sub-grants for the operation? What are the amounts involved for sub-grants? | N/A |
| **5.** Information about financial management (FM) arrangements for the operation: |   |
| - Does the recipient organization have a FM or Operating Manual that describes the internal control system and FM operational procedures? | Yes, a detailed manual of procedures was prepared by the PIU and validated by the World Bank before project effectiveness; it is being updated based on the project’s needs. The manual is aligned with the module of the FM software used. This manual will be used for the implementation of this PPA. |
| - What accounting system is used? Is it computerized system or manual? | RoC is a member of the Organisation pour l’Harmonisation en Afrique du Droit des Affaires (OHADA), hence syscohada accounting standards will be used. PEEDU has a well-functioning accounting software namely TOMPRO, the fiduciary team has been trained on the use of this software; it will be updated and used for the implementation of this PPA. |
| - What is the staffing arrangement of the organization in accounting, auditing, and reporting? Does the implementing entity have a qualified accountant on its | The financial and accounting systems are administered under its Financial Management Department. The unit is composed of three people, the CFO, the |
staff?

They are all well familiar with Bank FM procedures.

- Disbursement Arrangement
  An initial advance up to CFAF 250 million representing 3 months of estimated expenditures will be deposited in the Designated Account upon request from the Recipient. Subsequent advances will be made using the Withdrawal Applications. The reimbursement and direct payment methods will also be available. All supporting documentation for expenses must be properly archived and readily accessible for both internal and external controls and audit purposes.

- Does the implementing entity have in place basic arrangements able to support flow of funds, and timely accountability of funds?
  Yes, PEEDU is managing one designated account located at Credit du Congo which is acceptable to the WB; it will open and manage a separate Designated Account (DA) for this PPA at the same commercial bank. The existing FM arrangement will be used to manage this PPA.

- Does the implementing entity keep adequate records of financial transactions, including funds received and paid, and of the balances of funds held?
  Yes, the FM capacity has been strengthened to comply with its policies & procedures manual and have acceptable FM systems capable of recording all transactions, preparing reliable and timely financial reporting.

- How often does the implementing entity produce interim financial reports?
  PEEDU is very familiar with financial reporting. It has been preparing and submitting on time the interim financial reports for the Project. For this PPA it will prepare and furnish the World Bank no later than forty five (45) days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

- Are the annual financial statements audited by an external audit firm?
  External financial audit have been conducted over the years implementation. The reports were unqualified and recommendations from the management letter have been also implemented. It is expected that this PPA will be audited along with the first year of the main project.

B. Risk Rating Summary and Mitigation Measures (to be completed by the FMS)
Use the following table for FM risk assessment:

<table>
<thead>
<tr>
<th>Risks</th>
<th>Risk Rating</th>
<th>Risk Mitigating Measures</th>
<th>Residual Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<td></td>
<td></td>
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</tbody>
</table>
### Inherent Risk

<table>
<thead>
<tr>
<th>Level</th>
<th>Risk Level</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Country Level</td>
<td><strong>H</strong></td>
<td>None, beyond control of the project.</td>
</tr>
<tr>
<td>Entity Level</td>
<td><strong>S</strong></td>
<td>The existing arrangement being used for PEEDU will be used for this PPA</td>
</tr>
<tr>
<td>Grant/Credit Level</td>
<td><strong>M</strong></td>
<td>The small size of the project will imply a standard design without any complexity.</td>
</tr>
</tbody>
</table>

### Overall Inherent Risk

<table>
<thead>
<tr>
<th>Risk Level</th>
<th>Description</th>
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<tbody>
<tr>
<td><strong>S</strong></td>
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### Control Risk

<table>
<thead>
<tr>
<th>Area</th>
<th>Risk Level</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budgeting</td>
<td><strong>M</strong></td>
<td>The budget will be based on the financing plan issued during project preparation and tailored according to project activities.</td>
</tr>
<tr>
<td>Accounting</td>
<td><strong>M</strong></td>
<td>The PEEDU's accounting systems are administered under its fiduciary unit. The FM team headed by a CFO will be in charge of the overall FM aspects of this PPA.</td>
</tr>
<tr>
<td>Internal Control</td>
<td><strong>M</strong></td>
<td>The existing FM Manual that describes the internal control system and operational procedures of PEEDU could also be used for this project.</td>
</tr>
<tr>
<td>Funds Flow</td>
<td><strong>S</strong></td>
<td>Use of Bank fiduciary standards and safeguards in the financial and procurement activities. A Designated Account into which funds will be deposited will be opened at the same commercial as for PEEDU.</td>
</tr>
<tr>
<td>Financial Reporting</td>
<td><strong>M</strong></td>
<td>Appropriate format for Interim Financial Reports will be designed, leveraging on formats contained in the computerized accounting system.</td>
</tr>
<tr>
<td>Auditing</td>
<td><strong>M</strong></td>
<td>Selection of auditors on competitive basis. External Auditor will be recruited by the MTPEQTE in charge of implementation of Skills Development for Employability Project to conduct the audit. The audit shall cover the entire period (not to exceed 18 months) during which withdrawals from the Grant Account were made.</td>
</tr>
</tbody>
</table>

### Overall Control Risk

<table>
<thead>
<tr>
<th>Risk Level</th>
<th>Description</th>
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<tbody>
<tr>
<td><strong>M</strong></td>
<td></td>
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</table>

### Overall FM Risk

<table>
<thead>
<tr>
<th>Risk Level</th>
<th>Description</th>
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<tbody>
<tr>
<td><strong>M</strong></td>
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</table>

### Country Issues: Assessment of the FM capacity of the PEEDU' fiduciary unit.

The World Bank and other donors' assessments notably, the PER (Public Expenditure Review), and PEFA (Public Expenditure and Financial Accountability) completed in 2006 revealed an
unsatisfactory economic and financial control environment including weak budgeting preparation and control, financial reporting, external audit and human resources. As a result, the overall country fiduciary risk is still considered high. The findings of the FM capacity assessment of the MTPEQTE conducted during the preparation of the project revealed some capacity shortages in the fields of financial management. The FM weaknesses of this Ministry include (i) insufficiently qualified staff in financial management; (ii) staff is not familiar with the Bank and other donors' financed project procedures for reporting, disbursement arrangements, and auditing; (iii) lack of a proper accounting system in place to record and prepare financial reports; (iv) lack of computerized and modern accounting tools; and (iv) weak internal control systems.

Thus, the Bank, at this period of time cannot rely on this unit for the implementation of this PPA. Therefore, it was agreed to rely on the existing PEEDU FM system.

Description of the PEEDU - Institutional arrangements for the fiduciary aspects of the Grant.

The PEEDU will be the Bank and other donors' main counterpart and focal point for fiduciary aspects. It will oversee the entire fiduciary management of the PPA including management of the designated account and will primarily be responsible for: (i) handling financial and administrative management; (ii) disbursement; (iii) procurement; and (iv) auditing. The FM team of the PEEDU is composed of (i) one Finance Manager; and (ii) one Accountant and one accountant assistant. They have been all trained on the use of World Bank fiduciary procedures.

Strengths.

As mentioned above, they have some experience in managing small grant funded by Donors.

Conclusion and Supervision Plan: Supervisions will be conducted over the project's lifetime. The project will be supervised on a risk-based approach. It will comprise inter alia, the review of audit reports and IFRs, advice to task team on all FM issues. Based on the current risk assessment (which is moderate) the project will be supervised at least once a year and may be adjusted when the need arises. The ISR will include a FM rating of the project. An implementation support mission will be carried before effectiveness to ensure the project readiness. To the extent possible, mixed on-site supervision missions will be undertaken with procurement monitoring and evaluation and disbursement colleagues.