

GPOBA TF GRANT NUMBER 091509-CAM and 091503-CAM

**Global Partnership on Output-based Aid
(GPOBA)
Grant Agreement**

(Water Lease Project)

among

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

acting as Administrator of the Global Partnership on Output-based Aid

CAMEROON WATER UTILITIES CORPORATION

Dated April 7, 2008

GPOBA TF GRANT NUMBER 091509-CAM and 091503-CAM

**GLOBAL PARTNERSHIP ON OUTPUT-BASED AID
GRANT AGREEMENT**

AGREEMENT dated April 7, 2008, entered into among:

CAMEROON WATER UTILITIES CORPORATION (the "Recipient"), and the **INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT** ("World Bank" or "the Bank"), acting as administrator of the Global Partnership on Output-based Aid Trust Fund ("GPOBA Trust Fund").

The Recipient and the World Bank hereby agree as follows:

**Article I
Standard Conditions; Definitions**

1.01. The Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 20, 2006 ("Standard Conditions"), 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 Standard Conditions or in this Agreement.

**Article II
The Project**

2.01. The Recipient declares its commitment to the objectives of the project described in Schedule 1 to this Agreement ("Project"). To this end, the Recipient shall carry out the Project in accordance with the provisions of Article II of the Standard Conditions and the provisions of Schedule 2 to this Agreement.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

**Article III
The Grant**

3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in a total amount equal to five million

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two hundred and fifty thousand United States Dollars (\$5,250,000) (“Grant”) to assist in financing the Project. From the total Grant amount, three million United States Dollars (\$3,000,000) will be funded from the contribution to GPOBA by the Netherlands through its Ministry for Development Cooperation (TF091509-CAM (Dutch)) and two million two hundred and fifty thousand United States Dollars (\$2,250,000) will be financed by the Multi-Donor Trust Fund TF070734 (TF091503-CAM).

3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.

Article IV Additional Remedies

4.01. The Additional Events of Suspension referred to in Section 4.02 (i) of the Standard Conditions consist of the following:

1. IBRD or IDA has declared the Recipient ineligible to be awarded a contract financed by IBRD or IDA.
2. The Operations Manual has been amended so as to: (i) affect materially and adversely the carrying out of the Project; or (ii) change the output-based approach of the Project design without the prior agreement of the World Bank.
3. The incorporated documents pursuant to which the Recipient (or any other entity responsible for implementing any part of the Project) has been established and is operating have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Recipient to perform any of its obligations under the Grant Agreement.
4. Any action has been taken for the dissolution, disestablishment or suspension of operations of the Recipient (or any other entity responsible for implementing any part of the Project), or the Recipient (or any other entity responsible for implementing any part of the Project) has ceased to exist in the same legal form as that prevailing as of the date of the Grant Agreement.
5. The World Bank has determined after the Project becomes effective, pursuant to the provisions of Section 5.01 of this Agreement (Effective Date), that prior to such date but after the signing of the Grant Agreement, an event has occurred which would have entitled the World Bank to suspend the Recipient’s right to make withdrawals from the Grant Account if the Grant had been effective on the date such event occurred.

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6. Any of the additional events of suspension referred to in section 4.01 of the Financing Agreement dated November 15, 2007, entered into between the Republic of Cameroon and IDA (the "IDA Financing") has occurred and is continuing.

Article V - Effectiveness; Termination

- 5.01 This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished that the conditions specified below have been satisfied:
 - (a) All of the conditions for effectiveness set forth in Section 5.01 of the IDA Financing have been satisfied or otherwise waived by IDA.
 - (b) The Concession Contract, the Lease Contract, Work Contract and the Performance Contract, all satisfactory to the World Bank have been executed;
 - (c) The Recipient has established an accounting, financial management and reporting system satisfactory to the World Bank and has recruited external auditors satisfactory to the World Bank;
 - (d) The Project Agreement to be signed between the Recipient and IDA in connection with the IDA Financing (the "IDA Project Agreement") has been executed;
 - (e) The Subsidiary Agreement to be signed between the Recipient and the Republic of Cameroon in connection with the IDA Financing (the "IDA Subsidiary Agreement") has been executed;
 - (f) IDA shall have received a legal opinion satisfactory to IDA from counsel acceptable to IDA confirming that: (A) the IDA Subsidiary Agreement has been duly authorized or ratified by the Recipient and the Republic of Cameroon and is legally binding upon the Recipient and the Republic of Cameroon in accordance with its terms; and (B) the IDA Project Agreement has been duly authorized or ratified by the Recipient and is legally binding upon the Recipient accordance with its terms;
 - (g) the Recipient has adopted the Operations Manual, in form and substance satisfactory to the World Bank.
- 5.02 Except as the Recipient and the World Bank shall otherwise agree, the Effective Date of the Grant Agreement shall be the date upon which the World Bank dispatches to the Recipient notice that the requirement under Section 5.01 has

been fulfilled. If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if the Grant Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this subparagraph until such events have ceased to exist.

- 5.03 The Grant Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date a hundred and twenty (120) days after the date of this Agreement, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.

Article VI - Recipient's Representative; Addresses

- 6.01. The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is its general manager (*directeur général*).
- 6.02. The Recipient's address referred to in Section 7.01 of the Standard Conditions is as follows:

Cameroon Water Utilities Corporation
BP 524
Douala, Cameroon

Cable:	Telex:	Facsimile:
_____	_____	+237 343 72 70

- 6.03. The World Bank's Address referred to in Section 7.01 of the Standard Conditions is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423 (MCI) or 64145 (MCI)	1-202-477-6391

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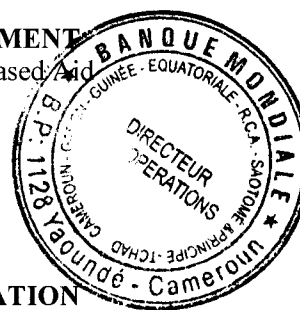
AGREED at Douala, as of the day and year first above written.

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**
administrator of the Global Partnership on Output-based Aid


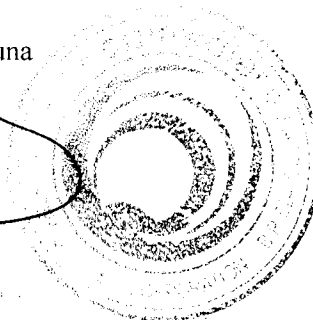
By Ms. Mary Barton-Block



CAMEROON WATER UTILITIES CORPORATION



By M. Basile Atangana Kouna

SCHEDULE 1

Project Description

The objective of the Project is to promote, following an output-based approach, piped-water access for the urban population of Cameroon by adding about 50,000 low income Beneficiary Households (representing approximately 300,000 persons) to the urban water supply system.

The Project consists of the following part:

Part 1. Connection to Water Services

Working connection to water services delivering water to about 50,000 Beneficiary Households, through the provision of works, goods and consulting services. This number, calculated on the basis of the April 2008 exchange rate, is indicative as the actual number of working connections to be funded by the Project will depend on the evolution of the USD/CFA exchange rate.

Part 2. Monitoring and Evaluation

Support for Project monitoring and evaluation activities by the hiring of an independent verification agent.

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SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. Institutional Arrangements

1. (a) The Recipient shall implement the Project in accordance with the provisions of the Operations Manual and the provisions of this Schedule 2.

(b) The Recipient shall not amend or waive any provision of the Operation Manual without the prior approval of the World Bank. In the event that any provision of said Manual conflicts with any provision under this Agreement, the terms of this Agreement shall prevail.

(c) Throughout the duration of the Project, the Recipient shall ensure that no land acquisition is required for purposes of the work and construction activities to be carried out under the Project. The Recipient shall ensure that: (a) all work and construction activities under the Project shall take place on land owned by the municipalities or on rights of way granted to local communities, and no resettlement of local population shall take place; and (b) said activities shall be consistent with the Bank's environmental and social policies and the environmental and social procedures set forth in the Operations Manual. In the event that works and construction activities under the Project do not take place on land owned by the municipalities or on rights of way granted to local communities, the Recipient shall ensure that said works and activities comply with the provisions of the Bank's environmental and social policies and the environmental and social procedures set forth in the Operations Manual.

2. The Recipient shall ensure that the Operator maintain adequate staffing and resources to ensure the proper implementation of the Project in accordance with the Lease Contract and in particular, Schedule 9 thereof.

3. The Recipient shall ensure that the Operator (i) prepare and send to the Recipient, quarterly output reports in accordance with the Operations Manual; (ii) select Beneficiary Households in accordance with the eligibility criteria set forth in the Operations Manual; (iii) ensure quality of service standards in accordance with the provisions of the Lease Contract; and (iv) maintain all documents certifying the eligibility of connected Beneficiary Households and the quality of services provided to said households.

4. The Recipient shall be further responsible for implementing the Project and for the Project's overall coordination and supervision, including (i) monitoring Project outputs, in accordance with the provisions of the Operations Manual, (ii) reviewing the quarterly output reports submitted by the Operator; and (iii) the verification of eligibility of requests for disbursements submitted to the World Bank.

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5. The Recipient shall, upon each installation of a new connection to a Beneficiary Household, ensure that the Operator provides water services to such household in accordance with the provisions of the relevant service agreement.

B. Independent Evaluation

The Recipient shall select and recruit an independent verification agent (the “Independent Verification Agent”) pursuant to terms of reference satisfactory to the World Bank, and in accordance with the provisions of Section III of Schedule 2 hereof, to audit and verify, on a quarterly basis, eligible outputs submitted by the Operator as a basis for disbursement request, in accordance with the provisions of the Operations Manual, and verify the socio-economical profile of the Beneficiary Households.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports; Completion Report

1. The Recipient shall monitor and evaluate the overall progress of the Project and prepare project reports (“Project Reports”) in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators agreed with the World Bank. Each Project Report shall cover the period of one calendar quarter, and shall be furnished to the World Bank not later than one (1) month after the end of the period covered by such report.
2. The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions and, not later than six (6) months after the Closing Date, shall submit said Report to the World Bank. In addition, not later than one (1) month after, respectively, the first and second anniversaries of the Closing Date, the Recipient shall prepare and submit to the World Bank reports (“Post Project Reports”), each of such scope and in such detail as the World Bank shall reasonably request, on the execution of the plan set out in the Recipient’s contribution to the Completion Report, and setting out measures designed to ensure the continued efficient and effective achievement of the Project’s objectives.

B. Financial Management; Financial Reports; Audits

1. The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.
2. The Recipient shall ensure that Interim Financial Reports for the Project are prepared and furnished to the World Bank, as part of the Project Reports referred to in paragraph A.1, Section II of this Schedule 2, not later than forty five (45)

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days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank, and in accordance with the format proposed in the Annex 2 to the Operations Manual.

3. The Recipient shall have its Financial Statements for the Project audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one fiscal year of the Recipient, being the period January 1 to December 31 of each calendar year. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six (6) months after the end of such period, and shall include the Post Reviews referred to in Part C, Section III of this Schedule 2.

Section III. Procurement

A. General

1. **Procurement and Consultant Guidelines.** All goods, works and services required for the Project and to be financed out of the proceeds of the Grant by the Recipient or the Operator shall be procured in accordance with the requirements set forth or referred to in:
 - (a) Section I of the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the World Bank in May 2004 (“Procurement Guidelines”) , and Operational Memorandum from James Adams dated November 7, 2005, *Application of Paragraph 3.13 of the Procurement Guidelines to Cases Involving Incumbent Concessionaires*, in the case of goods and works, and Sections I and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the World Bank in May 2004 (“Consultant Guidelines”) in the case of consultants’ services; and
 - (b) the provisions of this Section III, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Operator for the Project in accordance with paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines (“Procurement Plan”).
2. **Definitions.** The capitalized terms used below in 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 the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Works.** The following methods, other than International Competitive Bidding, may be used for procurement of goods and works for those contracts which the Bank agrees meet the requirements set forth in the Procurement Guidelines for their use: established practices of the Operator which have been found acceptable to the World Bank, for goods and works procured by the Operator.

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 methods, other than Quality- and Cost-based Selection, may be used for procurement of consultants' services for those assignments which the Bank agrees meet the requirements set forth in the Consultant Guidelines for their use: (a) Selection based on Consultants' Qualifications; (b) Single-source Selection; (c) Selection of Individual Consultants; and (d) Sole Source Procedures for the Selection of Individual Consultants.

C. Review by the World Bank of Procurement Decisions

1. The contract for the Independent Verification Agent shall be subject to the World Bank's Prior Review. In addition, any Procurement Plan shall set forth those contracts which shall be subject to the World Bank's Prior Review. To that effect, all contracts financed in whole or in part by the Grant entered into by the Operator shall include acceptance of the Bank's right to inspect and audit the implementation of such contract.

Section IV. Withdrawal of Grant Proceeds

A. General

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of (a) Article III of the Standard Conditions, (b) this Section, and (c) such additional instructions referred to in the Operations Manual or as the World Bank may specify by notice to the Recipient (including the "World Bank

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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 table in paragraph 2 below.

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

Category	Amount of the Dutch Grant TF091509 Allocated (Expressed in USD)	Amount of the Multi Donor Grant TF091503 Allocated (Expressed in USD)	Total Amount Allocated (expressed in USD)	Percentage of Expenditures to be Financed (inclusive of Taxes)
1. Eligible Connection Amount to water supply under Part 1 of the Project.	3,000,000	2,000,000	5,000,000	100%
2. Consulting Services under Part 2 of the Project.		250,000	250,000	100 %
TOTAL AMOUNT	3,000,000	2,250,000	5,250,000	

For purposes of this paragraph:

(a) the term “Eligible Connection Amount” means an amount equal to the lesser of (i) CFA 44,000, and (ii) 90% of the connection fee for each Eligible Connection, as determined on the basis of the current tariff applicable to domestic customers, in accordance with the Operations Manual and Schedule 9 to the Lease Contract; provided that in no event would the Eligible Connection Amount exceed the cost of works, goods and services required for such Eligible Connection; and

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(b) the term "Eligible Connection" means a household connection to a water supply constructed under the Project in accordance with the provisions of the Operations Manual and this Agreement.

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments in relation to connections made prior to the date of this Agreement.
2.
 - (a) Within thirty (30) days of receipt by the Recipient and the World Bank of the quarterly invoices submitted by the Operator, the Recipient shall review and communicate to the World Bank the corresponding disbursement request, together with the Operator's invoice and the Independent Verification Agent's report covering the relevant period.
 - (b) After receipt of quarterly requests for disbursements and the Independent Verification Agent's corresponding report, unless the World Bank has communicated its objections to such disbursement to the Recipient in writing within 10 business days of receipt of such request, it shall make disbursements out of the Grant proceeds into the Project Account.
 - (c) The payment of each quarterly request for disbursement shall be paid on the basis of connections made. A connection made is defined as a physically established connection delivering water and duly documented by a service agreement between the Operator and a Beneficiary Household confirming said Household's connection in accordance with the applicable regulations of the Republic of Cameroon and the provisions of the Operations Manual, and verified by the Independent Verification Agent.
3. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is December 31, 2011.
4. The World Bank, through the Independent Verification Agent, shall undertake, on a quarterly basis, a review aiming at assessing eligibility of the quarterly disbursement requests and the related use of Grant proceeds. To this end, the Recipient shall make available or cause the Operator to make available to said Agent information on, *inter alia*: (i) the number of Beneficiary Households connected per reporting period; (ii) the location of the Beneficiary Households; and any other information as the World Bank shall reasonably request.

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APPENDIX
Definitions

1. “Beneficiary Households” means the new household customers eligible pursuant to the criteria set forth in the Operations Manual.
2. “Camwater” means Cameroon Water Utilities Corporation, a State owned asset holding company established and operating pursuant to *Décret no. 2005/494 du 31 décembre 2005 créant Camwater*.
3. “Concession Contract” means the contract satisfactory to the World Bank entered into on December 18, 2007 between the Recipient and the Republic of Cameroon for holding and developing urban water supply assets.
4. “IDA Financing” has the meaning set forth in Section 4.01 to this Agreement, integrating the GPOBA Grant as co-financing (component 3 of IDA Financing).
5. “IDA Project Agreement” has the meaning set forth in Section 5.01(d) to this Agreement.
6. “IDA Subsidiary Agreement” has the meaning set forth in Section 5.01(e) to this Agreement.
7. “Lease Contract” means the contract satisfactory to the World Bank entered into on December 18, 2007 between the Recipient, the Republic of Cameroon and the Operator for the supply of urban water.
8. “Operator” means the *Camerounaise des Eaux*, the private company established in Cameroon in accordance with the terms of the Lease Contract.
9. “Performance Contract” means the contract satisfactory to the World Bank, entered into on December 18, 2007 between the Operator and the Recipient which defines the performance objectives related to the Lease Contract. .
10. “Operations Manual” means the Project implementation manual outlining operational modalities for the implementation of Project activities including, *inter alia*, the institutional, disbursement, procurement and environmental mitigation arrangements for the implementation of the Project, as the same may be amended by agreement of the Parties from time to time, and such term includes any schedules to the Operations Manual.

11. "Plan Contract" means the contract satisfactory to the World Bank, entered into between the Recipient and the Republic of Cameroon on December 18, 2007, which defines the obligations of the Republic of Cameroon to support the development of the country's urban drinkable water supply system.
12. "Project Account" means the bank account established by the Recipient pursuant to Annex 9 of the Lease Contract, the management of which is delegated to the Operator pursuant to the terms of the Lease Contract.
13. "Urban Water Supply Program" means the program set out in the sector policy letter from the Republic of Cameroon to the World Bank approved by the Republic of Cameroon on April 19, 2007, describing a set of objectives, policies and actions for the development of the Republic of Cameroon's urban water supply, including the Action Plan for Reduction of Water Consumption of the Administration.