

CREDIT NUMBER 5718-CM

Financing Agreement

(Community Development Program Support Project – Phase 3)

between

REPUBLIC OF CAMEROON

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated 03 FEB , 2016

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FINANCING AGREEMENT

AGREEMENT dated 03 FEB, 2016, entered into between REPUBLIC OF CAMEROON ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

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

ARTICLE II — FINANCING

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to fifty million two hundred thousand Special Drawing Rights (SDR 50,200,000) (variously, "Credit" and "Financing"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to one and a quarter percent (1.25%) per annum.
- 2.06. The Payment Dates are March 15 and September 15 in each year.
- 2.07. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
- 2.08. The Payment Currency is Euro.

- (e) The Recipient has fully reimbursed to the Association, the proceeds of the PNDP II financing applied to ineligible expenditures, in accordance with Section V.B of Schedule 2 to this Agreement.
- 5.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 5.03. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Recipient's Representative is the Minister of Economy, Planning and Regional Development.

- 6.02. The Recipient's Address is:

Ministry of Economy, Planning and Regional Development
Yaoundé
Republic of Cameroon

Facsimile:

(237) 69 48 99 091

- 6.03. The Association's Address is:

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

Cable:

Telex:

Facsimile:

INDEVAS
Washington, D.C.

248423 (MCI)

1-202-477-6391



ARTICLE III — PROJECT

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

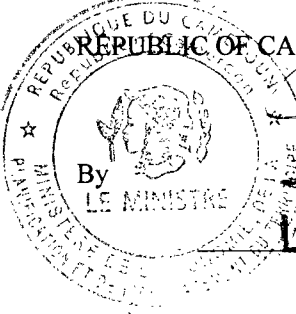
ARTICLE IV — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Events of Suspension consist of the following:
 - (a) A situation shall have arisen which shall make it improbable that the Program or a significant part thereof will be carried out; and
 - (b) the Project Implementation *Arrêté* shall have been amended, suspended, abrogated, repealed, or waived so as to materially and adversely affect the implementation of the Project.
- 4.02. The Additional Event of Acceleration consists of the following, namely that any event specified in Section 4.01 of this Agreement occurs and is continuing for a period of sixty (60) days after notice of the event has been given by the Association to the Recipient.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Conditions of Effectiveness consist of the following:
 - (a) The Recipient has amended the Project Implementation *Arrêté* to put in place the institutional and organizational arrangements described in Section I of Schedule 2 to this Agreement and to expand the geographic coverage of the Project, in form and substance satisfactory to the Association.
 - (b) The Recipient has updated the Project Implementation Manual in form and substance satisfactory to the Association.
 - (c) The Recipient has expanded the mandate of the Tender Board in accordance with Section I.A.4 of Schedule 2 to this Agreement.
 - (d) The Recipient has recruited an internal auditor in accordance with Section II.B.4 of Schedule 2 to this Agreement.

AGREED at Yaoundé, Republic of Cameroon, as of the day, month and year first above written.

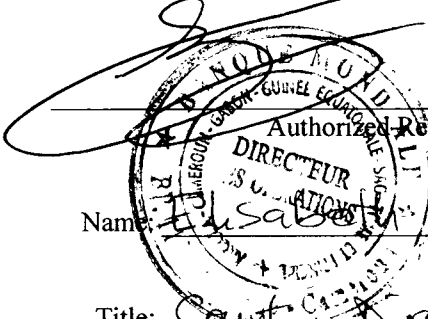

REPUBLIC OF CAMEROON
By
LE MINISTRE
Louis Paul MOTAZE
Authorized Representative

Name: _____

Title: Minister of Economy

INTERNATIONAL DEVELOPMENT ASSOCIATION

By


Authorized Representative
Name: Elisabeth Huybens
Title: Country Director

SCHEDULE 1

Project Description

The objective of the Project is to strengthen local public finance management and participatory development processes in Communes for the delivery of quality and sustainable social and economic infrastructure.

The Project constitutes the third phase of the Program, and consists of the following parts:

Part A: Local Development Support

Implementation of a program of activities to support local development, including, *inter alia*:

1. (a) Provision of CDP-Subproject Grants to Participating Communes to finance: (i) social infrastructure sub-projects in sectors, including health education, water and sanitation; and (ii) economic infrastructure sub-projects including, *inter alia*, the construction or rehabilitation of rural markets, community storage facilities, rural roads, small bridges, culverts, and small irrigation schemes, all as identified in the respective Communal Development Plan and Annual Investment Plan; and (b) provision of CDP Preparation Grants to Eligible Communes for the preparation of Communal Development Plans and CDP Preparation Activities.
2. Carrying out of a program of activities to strengthen the level and quality of socio-economic infrastructure for poor and vulnerable populations through the provision of Poor and Vulnerable Investment Support Grants to Target Communes to finance, *inter alia*, upgrading of refugees' camps and support to industries involved in the local employment of the target poor and vulnerable populations.

Part B: Support to the Decentralization Process

1. Provision of institutional support to the Recipient's institutions responsible for the design and implementation of the decentralization process through, *inter alia*:
 - (a) provision of technical assistance and implementation of studies in support of MINATD in connection with the drafting of implementing decrees under the Recipient's Decentralization Laws and the finalization of the national decentralization strategy;
 - (b) organization of workshops and dissemination of the Decentralization Laws and corresponding implementing decrees;

- (c) provision of consultant services and acquisition of small cartographic equipment required for the mapping of Communes;
 - (d) organization of study tours on decentralization and local development for the technical secretariat of the Inter-Ministerial Committee on Local Services, National Council for Decentralization and the Mayors' Association; and
 - (e) development and deployment by MINATD and MINFI of a financial management and accounting software for Communes.
2. Implementation of capacity building activities for Communes and other local stakeholders, including, *inter alia*:
- (a) For Communes: (i) development of a training manual on the local economy (ii) promotion of nationwide competitions for local governments on best practices for enhancing good governance and transparency; (iii) acquisition of computer equipment; (iv) strengthening the capacity of communal councils in environmental and social impact monitoring of subprojects; (v) enhancing social accountability and civil society engagement in annual budget planning and execution; and (vi) promotion of inter-communal and decentralized cooperation.
 - (b) For other local stakeholders, provision of Training and organization of workshops and study tours on decentralization and local development.
3. Implementation of a program of activities to strengthen the public financial management systems of Communes, including, *inter alia*:
- (a) Expansion of the local integrated financial management information system (SIMBA) to, at least 31 Eligible Communes to and, at least, 275 Participating Communes.
 - (b) Training of auditors of the Recipient's Chambre des comptes in the utilization of the SIMBA for the auditing of Commune accounts and carrying out of SIMBA awareness workshops for local public accountants and mayors.
 - (c) Dissemination of the Commune budget to the applicable Commune residents by relevant local means of communication.

Part C: Project Coordination, Management, Monitoring and Evaluation, and Communication

1. Project coordination, management and monitoring, preparation of financial audits and periodic evaluations, including:
 - (a) preparation of Safeguard Instruments and implementation of Safeguard Instruments-derived mitigation measures associated with the Project; and
 - (b) strengthening the technical and fiduciary capacity of the NCU and each RCU to manage and implement the Project, including, *inter alia*, recruitment of requisite staff, purchase of equipment, and provision of Training, audits, and monitoring and evaluation activities; and (ii) support to the Project oversight, regulatory and monitoring and other relevant institutions in the carrying out of their Project responsibilities and facilitation of strategic Project planning.
2. Monitoring and evaluations, impact evaluations, Beneficiary assessments, outreach and communication activities, coordination among stakeholders and knowledge production and sharing.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall implement the Project through its Ministry of Economy, Planning, and Regional Development, which shall be responsible for the overall oversight of the Project.
2. The Recipient shall maintain, throughout Project implementation, the National Steering Committee with composition, functions and resources satisfactory to the Association, and consistent with the requirements of the Project Implementation *Arrêté*, to be responsible for approving the Annual Work Plans and Budgets as well as for monitoring and providing guidance on the overall implementation of the Project. The National Steering Committee shall meet at least once every calendar semester.
3. The Recipient shall maintain, throughout Project implementation, the following entities, with staffing, functions and resources satisfactory to the Association, to be in charge of the coordination and management of the Project:
 - (a) At the national level, the National Coordination Unit within MINEPAT, which shall be responsible for, *inter alia*: (i) coordinating the overall implementation of the Project; (ii) consolidating and submitting to National Steering Committee for approval, annual work plans and budgets and progress reports; and (iii) carrying out of reporting, monitoring and evaluation activities at the national level.
 - (b) At the regional level, one Regional Coordination Unit in each Region of the Recipient, which shall be responsible for, *inter alia*: (i) coordinating the overall implementation of the Project within its Region; (ii) preparing work plans, budgets and progress reports for its Region; (iii) carrying out reporting, monitoring and evaluation activities in the Region; (iv) ensuring that CDPs are consistent with the Recipient's regional development master plans; and (v) signing of Grant Agreements with Beneficiaries.
 - (c) At the commune level, technical support staff which shall be responsible for, *inter alia*, supporting the Beneficiaries in the fulfillment of their obligations under the Project.

4. Tender Board

To facilitate the carrying out of all Project procurement activities, the Recipient shall expand the mandate of the Tender Board, and thereafter maintain at all times during the implementation of the Project, the Tender Board with composition, terms of reference and resources satisfactory to the Association.

B. Anti-Corruption

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

C. Manuals

1. The Recipient shall carry out the Project in accordance with the Project Implementation Manual and shall not amend, abrogate, waive, or permit to be amended, abrogated, or waived, the aforementioned, or any provision thereof, without the prior written consent of the Association.
2. In the event of any conflict between the provisions of the Project Implementation Manual and those of this Agreement, the provisions of this Agreement shall prevail.

D. CDP Preparation Grants

1. The Recipient shall provide CDP Preparation Grants for the benefit of Eligible Communes for the preparation or updating of Communal Development Plans and implementation of other CDP Preparation Activities in accordance with the provisions of this Agreement and the Project Implementation Manual, which shall, *inter alia*, include the following:
 - (a) all Communes other than those whose CDPs have previously been reviewed, approved and validated in accordance with the provisions of this Section D.1(b)(ii) shall be considered eligible for CDP Preparation Grants;
 - (b) each CDP: (i) shall include: (A) technical and environmental feasibility studies on the Subprojects proposed to be implemented in the first year of such CDP; and (B) Annual Investment Plans for the duration of the CDP describing the Subprojects to be implemented during a given year of Project implementation; and (ii) shall have been reviewed and approved by the Municipal Council and then validated by the Divisional Officer; and
 - (c) without limitations upon Section D.1 (a) above, the Communes that already have a CDP that has been previously been reviewed, approved and

validated in accordance with the provisions of this Section D.1(b)(ii), but that have not fulfilled the CDP Preparation Activities for a given year of implementation of such CDP shall be considered eligible for CDP Preparation Grants but only for such CDP Preparation Activities.

2. Each CDP Preparation Grant shall be made on a non-reimbursable grant basis and shall cover the full cost of the preparation of the CDP and other CDP Preparation Activities, except that Communes that are eligible pursuant to Section D.1(c) shall only receive a grant covering the full cost of CDP Preparation Activities.

E. CDP Subproject Grants

1. The Recipient shall provide CDP Subproject Grants to Participating Communes in accordance with the provisions of this Agreement and the Project Implementation Manual, which shall, *inter alia*, include the following:
 - (a) By October 30 of each year, MINEPAT shall: (i) confirm, based on objective criteria laid down in the Project Implementation Manual, the final Annual Allocation of funds to be made available to each Participating Commune as CDP Subproject Grants; and (ii) inform each Participating Commune of its final annual allocation.
 - (b) Based on these allocations and on the priorities laid down in its Communal Development Plan, each Participating Commune shall confirm its Annual Investment Plan, in accordance with the requirements laid down in the Project Implementation Manual, describing a selected number of Subprojects to be financed under the annual investment plan by CDP-Subproject Grants. The final Annual Investment Plan shall be reviewed and approved by the Municipal Council and then validated by the Divisional Officer and included in the relevant CDP Subproject Grant.
2. Without limitation upon the criteria specified in the Project Implementation Manual, no CDP Subproject shall be eligible to be financed by a CDP Subproject Grant unless the relevant RCU shall have determined, on the basis of an initial assessment of the Participating Commune and guidelines and criteria specified in the Project Implementation Manual that such CDP Subproject satisfies the eligibility criteria, which shall include, *inter alia*, the following:
 - (a) the CDP Subproject has been included as part of the Communal Development Plan and the Participating Commune's Annual Investment Plan approved under Section I.E.1(b) of Schedule 2 of this Agreement;
 - (b) the CDP Subproject shall be implemented by a Participating Commune;



- (c) the CDP Subproject does not fall within any of the negative list of ineligible activities set forth in the Project Implementation Manual;
- (d) the Participating Commune shall contribute an agreed percentage of the investment cost as specified in the Project Implementation Manual based on the nature of the Subproject;
- (e) no other source of financing will support the implementation of the CDP Subproject other than the co-financing to be provided by the Communes;
- (f) all relevant Safeguard Instruments have been prepared and relevant activities taken in connection with such CDP Subproject in accordance with the applicable Safeguard Instruments; and
- (g) a committee for the management of the CDP Subproject composed of representatives from beneficiaries has been put in place and adequate arrangements have been made for financing the maintenance and other recurrent costs related to the CDP Subproject, upon its completion.

F. Poor and Vulnerable Investment Support Grants

1. The Recipient shall provide Poor and Vulnerable Investment Support (“PVIS”) Grants to Target Communes in accordance with the provisions of this Agreement and the Project Implementation Manual, which shall, *inter alia*, include the following:
 - (a) All PVIS Subprojects shall be identified in consultation with the applicable Target Commune.
 - (b) No PVIS Subproject shall be eligible for financing unless it serves to strengthen: (i) social infrastructure, including, *inter alia*, education, health, water, and sanitation facilities; and (ii) economic infrastructure, for the purpose of: (A) supporting agricultural production; and (B) promoting tourism in the region.
2. Each Poor and Vulnerable Investment Support Grant shall be made on a non-reimbursable grant basis and shall cover the full cost of the PVIS Subproject.

G. Provisions Common to Grants

1. No CDP, CDP Preparation Activity, CDP Subproject or PVIS Subproject shall be eligible for financing out of the proceeds of a Grant unless an agreement (“Grant Agreement”) has been concluded between the relevant RCU and the applicable Beneficiary, as the case may be, in the form of the standard model form provided in the Project Implementation Manual, and on terms and conditions satisfactory to

- (f) The Recipient shall have the right to suspend the right of any Beneficiary to the use of the proceeds of the Grant, or any part thereof, or obtain a refund of all or any part of the amount of the Grant then withdrawn, upon such Beneficiary's failure to perform any of its obligations under the Grant Agreement.
 - (g) In the case of a CDP Subproject:
 - (i) disbursements under each CDP Subproject Grant Agreement shall be in two phases which shall be as follows: (A) 60% of the CDP Subproject Grant, upon signing of the applicable Grant Agreement, and (B) the balance, upon approval by the Recipient of a satisfactory implementation progress report submitted by the applicable Participating Commune to the RCU and the NCU; and
 - (ii) the CDP Subproject Grant shall be used exclusively to cover all or part of the CDP Subprojects included in the relevant Participating Commune's Annual Investment Plan for a given year.
4. The Recipient shall exercise its rights under each Grant Agreement in such manner as to protect the interests of the Recipient and the Association, and to accomplish the purposes of the Financing. Except as the Recipient and the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive any Grant Agreement or any of its provisions.

H. Annual Work Plans and Budgets

- 1. Not later than October 31 in each calendar year (or one month after the Effective Date for the first year of Project implementation), the Recipient shall prepare or cause to be prepared for the purpose of forwarding to the Association, a draft annual work plan and budget for the Project (including Training and Operating Costs) for the subsequent calendar year of Project implementation, of such scope and detail as the Association shall have reasonably requested.
- 2. The Recipient shall afford the Association a reasonable opportunity to review such draft annual work plan and budget, and thereafter shall carry out (or cause to be carried out) such annual work plan and budget during such subsequent calendar year as shall have been approved by the Association ("Annual Work Plan and Budget"). Only those activities that are included in an Annual Work Plan and Budget shall be eligible for financing out of the proceeds of the Financing.
- 3. Any Training proposed to be included in an Annual Work Plan and Budget, shall include, *inter alia*: (a) particulars of the Training envisaged; (b) the criteria for



the Recipient and the Association, as further detailed in this Agreement and the Project Implementation Manual, which shall, *inter alia*, include the following:

- (a) Each Beneficiary shall be required to carry out the activity to be financed by the applicable Grant with due diligence and efficiency, and in accordance with sound administrative, financial and technical practices, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of Financing proceeds other than the Recipient, and with due regard to appropriate environmental considerations, as reflected in the Safeguards Instruments.
- (b) Each Beneficiary shall have the obligation to ensure at all times that:
 - (i) goods, works and consultants' services to be financed out of the proceeds of the Grant shall be procured in accordance with the provisions of Section III of Schedule 2 to this Agreement; and (ii) in the case of a CDP Subproject: (A) such goods, works and consultants' services shall be used exclusively for implementing the activities described in the Annual Investment Plan and achieving the objectives of such activities; and (B) upon completion of each CDP Subproject, each such CDP Subproject shall be operated and maintained in accordance with the operation and maintenance plan agreed upon with the Recipient.
- (c) Each Beneficiary shall: (i) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations, resources and expenditures related to the Grant; and (ii) at the Recipient's or the Association's request, have such financial statements audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the statements as so audited to the Recipient and the Association.
- (d) The Recipient shall have the right to inspect, by itself or jointly with representatives of the Association, if the Association shall so request, the goods, works and services financed by the Grant, the operation of any CDP Subproject or PVIS Subproject and any relevant records and documents, and obtain any report in connection therewith, of such scope and in such detail as the Association shall reasonably request.
- (e) The Recipient shall have the right to obtain all such information as the Recipient or the Association shall reasonably request relating to the administration, operations and financial condition of each Beneficiary, and the benefits derived from the Grant.

- (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of such Supplemental Safeguard Instrument; and
 - (c) remedial measures taken or required to be taken to address such conditions.
- 3. In the event that any provision of the Safeguards Instruments shall conflict with any provision under this Agreement, the provisions of this Agreement shall prevail.
- 4. The Recipient shall ensure that:
 - (a) all terms of reference for any technical assistance and studies to be carried out under the Project are consistent with the Association's environmental and social safeguard policies; and
 - (b) in any Project activity that may support the drafting of regulatory instruments for the purpose of community development planning or other land related reforms, due attention will be given to said policies.

J. Third Party Verification

The Recipient shall recruit, in accordance with Section III of this Schedule 2, third-party verification agents, with qualifications, experience, and terms of reference satisfactory to the Association, for purposes of the technical third-party verification of the Sub-projects to be carried out under Part A of the Project, such verification to include the assessment of budget information dissemination activities to be carried out under Part B.3(c) of the Project.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators acceptable to the Association. Each Project Report shall cover the period of one calendar quarter, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

- 1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.



selection of the personnel to be trained, and such personnel if known; (c) the selection method of the institution or individuals conducting such Training; (d) the institution conducting such Training if identified; (e) the purpose and justification for such Training; (f) the location and duration of the proposed training; and (g) the estimate of the cost of such Training.

4. Annual Work Plans and Budgets may be revised as needed during Project implementation subject to the Association's prior written approval.

I. Safeguards

1. The Recipient shall implement the Project in accordance with the relevant Safeguards Instruments, and shall, to that end:
 - (a) if any activity under the Project would require the adoption of any Supplemental Safeguard Instrument:
 - (i) prepare: (A) such Supplemental Safeguard Instrument in accordance with the applicable ESMF or RPF; (B) furnish such Supplemental Safeguard Instrument to the Association for review and approval; and (C) thereafter adopt such Supplemental Safeguard Instrument prior to implementation of the activity; and
 - (ii) thereafter take such measures as shall be necessary or appropriate to ensure full compliance with the requirements of such Supplemental Safeguard Instrument; and
 - (b) if any activity under the Project would involve Affected Persons, ensure that no displacement (including restriction of access to legally designated parks and protected areas) shall occur before resettlement measures under a Supplemental Safeguard Instrument prepared in accordance with the RPF including, in the case of displacement, full payment to Affected Persons of compensation and of other assistance required for relocation, have been taken.
2. Without limitation upon its other reporting obligations under this Agreement, the Recipient shall, for each Supplemental Safeguard Instrument, regularly collect, compile and furnish to the Association reports in form and substance satisfactory to the Association, on the status of compliance with each Supplemental Safeguard Instrument, as part of the Project Reports, giving details of:
 - (a) measures taken in furtherance of such Supplemental Safeguard Instrument;



2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish (or cause to be prepared and furnished) to the Association not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.
4. In order to ensure the timely carrying out of the audits referred to in Section II.B.2, the Recipient shall recruit, in accordance with the provisions of Section III of this Schedule 2, an internal auditor with qualifications, experience and term of reference acceptable to the Association.
5. In order to ensure the timely carrying out of the audits referred to in Section II. B.3, the Recipient shall recruit, in accordance with the provisions of Section III of this Schedule 2, not later than four (4) months after the Effective Date, an external auditor with qualifications, experience and term of reference acceptable to the Association.
6. Not later than three (3) months after the Effective Date, the Recipient shall upgrade the Project's computerized financial and accounting system to ensure its compatibility with the CAA's information system, in a manner satisfactory to the Association.
7. Not later than three (3) months after the Effective Date, the Recipient shall fill the one financial management position within the RCU, and throughout the Project implementation, fill any vacant financial management position where applicable by recruitment in accordance with Section III of Schedule 2 to this Agreement or by appointment, all in a manner satisfactory to the Association.

Section III. Procurement

A. General

1. **Goods, Works and Non-consulting Services.** All goods, works and non-consulting services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.



2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.
 3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.
- B. Particular Methods of Procurement of Goods, Works and Non-consulting Services**
1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, Goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.
 2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan:

Procurement Method
(a) Limited International Bidding
(b) National Competitive Bidding, subject to the additional procedures set forth in paragraph 3 below
(c) Shopping
(d) Direct Contracting
(e) Procurement from United Nations Agencies
(f) Community Participation in Procurement

3. **Requirements for the National Competitive Bidding.** The procedures to be followed for National Competitive Bidding shall be those set forth in the Recipient's Procurement Code of September 24, 2004, as revised from time to time in a manner deemed acceptable to the Association, subject, however, to the modifications described in the following paragraphs required for compliance with the Procurement Guidelines:

- (a) in accordance with paragraph 1.16(e) of the Procurement Guidelines, each bidding document and contract financed out of the proceeds of the Financing shall provide that: (i) the bidders, suppliers, contractors and their subcontractors, agents, personnel, consultants, service providers, or suppliers shall permit the Association, at its request, to inspect all accounts, records and other documents relating to the submission of bids and contract performance, and to have said accounts and records audited by auditors appointed by the Association; and (ii) the deliberate and material violation of such provision may amount to an obstructive practice as defined in paragraph 1.16(a)(v) of the Procurement Guidelines;
- (b) the invitation to bid shall be advertised in, at least, one national newspapers with wide circulation;
- (c) the bid evaluation, qualification of bidders and contract award criteria shall be clearly indicated in the bidding documents;
- (d) the bidders shall be given adequate response time (at least four weeks) from the date of the invitation to bid or the date of availability of a bidding documents, whichever is later, to prepare and submit their bids;
- (e) eligible bidders, including foreign bidders, shall be allowed to participate;
- (f) no domestic preference shall be given to domestic contractors and to domestically manufactured goods and association with national firm shall not be a condition for participation in a bidding process;
- (g) bids are awarded to the lowest evaluated bidder provided that such bidder is qualified;
- (h) No scoring system shall be allowed for the evaluation of bids, and no "blanket" limitation to the number of lots which can be awarded to a bidder shall apply;
- (i) qualification criteria shall only concern the bidder's capability and resources to perform the contract taking into account objective and measurable factors; and
- (j) fees charged for bidding documents shall be reasonable and reflect only the cost of printing and delivery to the prospective bidders.



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 contracts which are specified in the Procurement Plan:

Procurement Method
(a) Quality-Based Selection
(b) Selection under a Fixed Budget
(c) Least-Cost Selection
(d) Selection Based on the Consultants' Qualifications
(e) Single-Source Selection
(f) Individual Consultants

D. Review by the Association of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. All other contracts shall be subject to Post Review by the Association.

E. Other Procurement Obligations

Without limitations upon the provisions of Section I.A.3 of this Schedule 2, the Recipient shall maintain, throughout Project implementation, a procurement arrangement satisfactory to the Association which shall include but is not limited to a procurement specialist and a procurement assistant at the NCU and an infrastructure expert with a substantial knowledge of procurement processes at the applicable RCU for each Project region, all with qualifications, experience and term of reference acceptable to the Association.

Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional



instructions as the Association shall specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

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

Category	Amount of the Financing Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, minor works, non-consulting services, consultants' services, Operating Costs and Training for the Project except: (a) CDP-Subproject Grants under Part A.1(a) of the Project; (b) CDP Preparation Grants under Part A.1(b) of the Project; and (c) Poor and Vulnerable Investment Support Grants under Part A.2 of the Project	17,000,000	100%
(2) CDP-Subproject Grants under Part A.1(a) of the Project	10,400,000	100% of amounts paid by the Recipient under the CDP-Subproject Grants
(3) CDP Preparation Grants under Part A.1(b) of the Project	1,300,000	100% of amounts paid by the Recipient under the CDP Preparation Grants
(4) Poor and Vulnerable Investment Support Grants under Part A.2 of the Project	21,500,000	100% of amounts paid by the Recipient under the Poor and Vulnerable Investment Support Grants
TOTAL AMOUNT	50,200,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments:
 - (a) made prior to the date of this Agreement; or
 - (b) under Categories (2), unless: (i) the applicable Grant Agreement has been signed in accordance with Section I.F of Schedule 2 to this Agreement; and (ii) the Beneficiary to such CDP-Subproject Grant has a *Receveur* Municipal in accordance Section V.D of Schedule 2 to this Agreement; or
 - (c) under Categories (3) or (4), unless the applicable Grant Agreement has been signed in accordance with Section I.F of Schedule 2 to this Agreement.
2. Without limitations upon the provisions of this Section IV, upon the fulfillment of the obligations under Section IV.B.1(b) of this Schedule 2, the Recipient's withdrawal of the proceeds of the Financing allocated for CDP Subproject Grants under Section IV.A.2 Category (2) of this Schedule 2 shall not exceed sixty percent (60%) of the allocated Financing amount unless the Recipient has obtained satisfactory audits by the third party verification agent referred to in Section I.J of this Schedule 2, in form and substance acceptable to the Association.
3. The Closing Date is November 30, 2019.

Section V. Other Undertakings

- A. The Recipient shall ensure that the Financing shall be used exclusively for the financing of activities detailed in Schedule 1 of this Agreement and, notwithstanding the foregoing, shall ensure that no portion of the Financing shall be used for any applicable expenditure under said Schedule 1 of this Agreement if such expenditure was financed by the Recipient's Contributions to the Project.
- B. The Recipient shall fully reimburse to the Association, the proceeds of the PNDP II financing applied to ineligible expenditures, as declared in the Association's letter to the Recipient dated, June 4, 2015, and accepted by the Recipient's letter dated June 11, 2015, with a commitment to fully reimburse said proceeds.
- C. The Recipient shall cause the NCU and the RCUs to organize annual national and regional workshops with relevant stakeholders to establish annual priorities for local development activities in conformity with the provisions of the Project Implementation Manual.



- D. No transfer of funds to a Beneficiary under a Grant Agreement shall be made, unless the Recipient has appointed and trained, for such Beneficiary, a *Receveur* Municipal with qualifications, experience and term of reference acceptable to the Association.



SCHEDULE 3
Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each March 15 and September 15:	
commencing March 15, 2021 to and including September 15, 2030	1.65%
commencing March 15, 2031 to and including September 15, 2040.	3.35%

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03(b) of the General Conditions.

APPENDIX

Section I. Definitions

1. “Affected Person” means a person who as a result of: (i) the involuntary taking of land under the Project is affected in any of the following ways: (A) relocation or loss of shelter; (B) loss of assets or access to assets; or (C) loss of income sources or means of livelihood, whether or not the affected person must move to another location; or (ii) the involuntary restriction of access to legally designated parks and protected areas suffers adverse impacts on his or her livelihood; and “Affected Person” means any of the Affected Persons.
2. “Annual Allocation” means the aggregate annual allocation attributed to a Participating Commune for the duration of Project implementation as determined in the PIM for the purposes of CDP-Subproject Grants.
3. “Annual Investment Plan” means the plan that Participating Communes are required to prepare in accordance with Section I.D.1(b)(2) of Schedule 2 to this Agreement, for each year of Project implementation as part of the preparation of the Communal Development Plan, and which identifies a selected number of CDP-Subprojects to be financed by a CDP-Subproject Grant during a given year and confirmed every year pursuant to Section I.E.1(b) of Schedule 2 to this Agreement.
4. “Annual Work Plan and Budget” means the annual work plan and budget as prepared by the Recipient for and approved by the Association in accordance with the provisions of Section I.H of Schedule 2 to this Agreement.
5. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006, and revised in January 2011.
6. “Beneficiary” means an Eligible Commune, a Participating Commune, or a Target Commune as the case may be; and “Beneficiaries” means more than one Beneficiary.
7. “CAA” means *Caisse Autonome d’Amortissement du Cameroun* or the Recipient’s national debt management agency established pursuant to the Recipient’s *Decret No. 85/1176 du 28-08-1985 portant creation de la Caisse Autonome d’Amortissement*.
8. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
9. “CDP Preparation Activity” means the activities related to preparation or updating of a Communal Development Plan by an Eligible Commune and/or technical and



environmental feasibility studies, Communes' contractual support staff salaries and expenses of CDP approval sessions of the relevant Municipal Council and Commune's procurement commissions, for each year of CDP implementation.

10. "CDP Preparation Grant" means a grant in the amount determined in the PIM made, or to be made, to an Eligible Commune out of the proceeds of the Financing to finance a CDP Preparation Activity under Part A.1(b) of the Project.
11. "CDP Preparation Grant Agreement" means the agreement, satisfactory to the Association, to be entered into between an Eligible Commune and an RCU for the purpose of financing CDP Preparation Activities under Part A.1(b) of the Project.
12. "CDP-Subproject" means a subproject to be carried out by a Participating Commune as identified in its Annual Investment Plan and Communal Development Plan, financed, or proposed to be financed through a CDP-Subproject Grant under Part A.1(a) of the Project; and "CDP-Subprojects" means more than one CDP-Subproject.
13. "CDP-Subproject Grant" means a grant made, or to be made, to a Participating Commune out of the proceeds of the Financing to finance a CDP-Subproject under Part A.1(a) of the Project.
14. "CDP-Subproject Grant Agreement" means an agreement, satisfactory to the Association, to be entered into between a Participating Commune and a RCU for the purpose of financing CDP Subprojects under Part A.1(a) of the Project.
15. "Chambre des comptes" means the audit bench of the Recipient's supreme court.
16. "Communal Development Plan" or "CDP" means the five-year development plan to be prepared by Eligible Communes and approved by their Municipal Councils and the Divisional Officers pursuant to the Project Implementation *Arrêté*; and "CDPs" means more than one CDP.
17. "Commune" means a decentralized local government entity established and operating under the laws of the Recipient (Law No. 74/23 dated December 5, 1974), relating to communal organization and any amendment thereto.
18. "Consultant Guidelines" means the "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 (revised July 2014).
19. "Decentralization Charter" means the legal text defining the rules guiding the partnership between the administration and local government (Regions and Communes).



20. “Decentralization Laws” means, collectively: (i) the Law for General Guidelines on Decentralization, No.2004/17 of the July 22, 2004, on the Orientation of Decentralization; (ii) the Law Applicable to Regions, No 2004/19 of July 22, 2004, to lay down rules applicable to Regions; and (iii) the Law Applicable to Communes, No.2004/18 of July 22, 2004, to lay down rules applicable to communes.
21. “Divisional Officer” means the *Préfet* of each of the *Départements* of the Recipient within which the Communes are located.
22. “Eligible Commune” means any Commune within the Recipient’s territory, eligible to implement CDP Preparation Activities under Part A.1(b) of the Project; and “Eligible Communes” means more than one Eligible Commune.
23. “Environmental and Social Management Framework” and “ESMF” mean the framework disclosed in the Recipient’s territory and at the Association’s Infoshop on March 26, 2015, in form and substance satisfactory to the Association, setting out modalities to be followed in assessing the potential adverse environmental and social impact associated with activities to be implemented under the Project, and the measures to be taken to offset, reduce, or mitigate such adverse impact.
24. “Environmental and Social Management Plan” and “ESMP” mean a plan, approved by the Association for the Project, to be prepared by the Recipient, if as required by the ESMF, proposing appropriate mitigation, monitoring and institutional measures designed to mitigate potential adverse environmental and resettlement impacts, offset them, reduce them to acceptable levels or enhance positive impacts, as the same may be amended from time to time with the agreement of the Association.
25. “Financial Management Manual” means the manual dated 2009, adopted by the Recipient for the PNDP II, to be updated by the Recipient as part of the PIM pursuant to Section 5.01(b) of this Agreement, outlining the administrative, financial management and accounting arrangements for the implementation of the Project, as the same may be amended from time to time with the prior written consent of the Association, and such term includes any schedules to such manual.
26. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010.
27. “Grant” means a CDP Preparation Grant, CDP Subproject Grant or Poor and Vulnerable Investment Support Grant, as the case may be; and “Grants” means more than one Grant.



28. “Grant Agreement” means a CDP Preparation Grant Agreement, a CDP-Subproject Grant Agreement or a Poor and Vulnerable Investment Support Grant, as the case may be; and “Grant Agreements” means more than one Grant Agreement.
29. “Inter-Ministerial Committee on Local Services” means the committee established pursuant to the Recipient’s Decree establishing the Inter-Ministerial Committee on Local Services No 2008/014 of January 17, 2008.
30. “Indigenous Peoples Plan” and “IPP” mean the document adopted by the Recipient and disclosed in the Recipient’s territory and at the Association’s Infoshop on March 26, 2015, defining specific measures to be implemented for indigenous minorities in order to protect them and to ensure that members of said minorities be granted equal legal, financial and organizational opportunities under the Program.
31. “Mayors’ Association” means United Councils and Cities of Cameroon (UCCC) and governed by *Arrêté* N° 1277/RDA/J06/BAPP of January 7, 2004.
32. “MINATD” means the Recipient’s Ministry of Territorial Administration and Decentralization, and any successor thereto.
33. “MINFI” means the Recipient’s Ministry of Finance, and successor thereto.
34. “Ministry of Economy, Planning, and Regional Development” and “MINEPAT” mean the Recipient’s ministry responsible for economy, planning and regional development and any successor thereto.
35. “Monitoring and Evaluation Manual” mean the monitoring and evaluation manual dated 2009, adopted by the Recipient for the PNDP II, to be updated by the Recipient pursuant to Section 5.01(b) of this Agreement as part of the PIM, outlining the monitoring and evaluation arrangements for the implementation of the Project, as the same may be amended from time to time with the prior written consent of the Association, and such term includes any schedules to such manual.
36. “Municipal Council” means Deliberative organ of councils governed by law N°2004/18 of July 22, 2004, to lay down rules applicable to Communes (referred to in Section 26 of said law).
37. “National Coordination Unit” and “NCU” means the national coordination unit (*Cellule Nationale de Coordination*) established and operating pursuant to the Project Implementation *Arrêté* and referred to in Section I.A.3(a) of Schedule 2 to this Agreement.

- 38. “National Council for Decentralization” means Government entity responsible for coordinating and monitoring the implementation of decentralization process in Cameroon.
- 39. “National Steering Committee” means the committee established and operating pursuant to the Project Implementation *Arrêté* and referred to in Section I.A.2 of Schedule 2 to this Agreement.
- 40. “Operating Costs” means the reasonable incremental operating costs incurred by NCU, RCUs under the Project, based on annual budgets satisfactory to the Association, on account of local contractual support staff salaries, employment benefits, travel expenditures and other travel-related allowances; equipment rental and maintenance; vehicle operation, maintenance and repair; office rental and maintenance, materials and supplies; and utilities, media information campaigns and communications’ expenses, but excluding the salaries of officials and public servants of the Recipient’s civil service.
- 41. “Participating Commune” means any Commune within the Recipient’s territory eligible to implement CDP Subprojects under Part A.1(a) of the Project; and “Participating Communes” means more than one Participating Commune.
- 42. “Pest Management Plan” and “PMP” mean the document adopted by the Recipient and disclosed in the Recipient’s territory and at the Association’s Infoshop on March 26, 2015, defining specific measures to be implemented for the management of pesticides under the Project, as the said plan may be amended and/or supplemented from time to time with the prior written consent of the Association, and such term includes any schedules to such document.
- 43. “PNDP II” means the Community Development Support Project- Phase 2 financed by the Financing Agreement (Credit 4593-CM) between the Recipient and the Association, dated September 16, 2009.
- 44. “Poor and Vulnerable Investment Support Grant” means a grant in the amount determined in the PIM to be made to a Target Commune out of the proceeds of the Financing to finance a PVIS Subproject under Part A.2 of the Project.
- 45. “Poor and Vulnerable Investment Support Grant Agreement” means an agreement, satisfactory to the Association, to be entered into between a Target Commune and a RCU for the purpose of financing PVIS Subprojects under Part A.2 of the Project.
- 46. “Procurement Guidelines” means 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 (revised July 2014).



47. "Procurement Plan" means the Recipient's procurement plan for the Project, dated August 3, 2015, and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
48. "Program" means the program designed, *inter alia*, to support the implementation of the Recipient's rural development strategy and set forth or referred to in the letter dated January 14, 2004, from the Recipient to the Association.
49. "Project Implementation *Arrêté*" means the Recipient's *arrêté* No. 002/PM dated January 9, 2004, and revised on October 7, 2009, "*Portant organisation du cadre institutionnel d'exécution du Programme National de Développement Participatif*", as amended in accordance with Section 5.01(a) of this Agreement.
50. "Project Implementation Manual" or "PIM" means the manual dated 2009, adopted by the Recipient for the PNDP II, to be updated by the Recipient in accordance with Section 5.01(b) of this Agreement to include, an updated Financial Management Manual and Monitoring and Evaluation Manual, outlining: (i) implementation, organizational, disbursement, monitoring and procurement rules and procedures for the purposes of Project implementation; (ii) a standard model form of CDP Preparation Grant Agreement, CDP-Subproject Grant Agreement and Vulnerable Investment Support Grant Agreement acceptable to the Association; (iii) the eligibility criteria for CDP Subprojects and PVIS Subprojects, the provision of CDP Preparation Grants, CDP-Subproject Grants and Poor and Vulnerable Investment Support Grants; (iv) the Allocation on a yearly basis of each Commune for the duration of the Project; and (v) an annex setting forth the Simplified Communal Operational Manual; as the same may be amended from time to time with the prior written consent of the Association, and such term includes any schedules to such manual.
51. "PVIS Subproject" means a specific investment project to be carried out by a Target Commune under the criteria set forth in Section I.F of Schedule 2 to this Agreement and financed, or proposed to be financed through a Poor and Vulnerable Investment Support Grant under Part A.2 of the Project; and "PVIS Subprojects" means more than one PVIS Subproject.
52. "Receveur Municipal" means communal accountant responsible for bookkeeping of accounts.
53. "Recipient's Contributions" means an amount of approximately US\$56 million to be provided by the Recipient as a contribution towards the implementation of the Project.

- 54. "Region" means a decentralized local government entity established and operating under the laws of the Recipient (Law No. 96-06 of January 18, 1996), relating to regional organization and any amendment thereto; and "Regions" means more than one Region.
- 55. "Regional Coordination Unit" means each of the regional units established pursuant to the Project Implementation *Arrêté* and referred to in Section I.A.3(b) of Schedule 2 to this Agreement; and "Regional Coordination Units" means more than one Regional Coordination Unit.
- 56. "Resettlement Action Plan" and "RAP" mean the plans approved by the Association for the Project, prepared by the Recipient on the basis of the RPF (as hereinafter defined) as the said document may be amended and/or supplemented from time to time with the prior written concurrence of the Association and subject to the initial consultation and disclosure requirements carried out on the RAP.
- 57. "Resettlement Policy Framework" and "RPF" mean the document disclosed in the Recipient's territory and at the Association's Infoshop on March 26, 2015, outlining the policies and procedures to be implemented in the event that specific activities implemented under the Project have potentially negative impacts on the livelihoods, assets and land of the affected population, as the said framework may be amended and/or supplemented from time to time with the prior written consent of the Association, and such term includes any schedules to such document.
- 58. "Safeguards Instruments" means the ESMF, the RPF, IPP, PMP, WMP and any Supplemental Safeguard Instruments.
- 59. "Simplified Communal Operational Manual" means the specific operational manual for the Communes, as annexed to the PIM.
- 60. "Supplemental Safeguard Instruments" means any ESMP, RAP or other supplemental social and environmental safeguard instruments as required under the terms of the ESMF or RPF.
- 61. "Target Commune" means any Commune within the Recipient's Adamaoua, North, Far North and East Regions eligible to implement PVIS Subprojects under Part A.2 of the Project; and "Target Communes" means more than one Target Commune.
- 62. "Tender Board" means the tender board established under the Project pursuant to Decree No 006/A/MINMAP on May 8, 2013, and to be revised in accordance with Section I.A.4 of Schedule 2 to this Agreement.
- 63. "Training" means the training of persons under the Project, including through seminars, workshops, knowledge sharing activities and study tours, and covers the



following costs associated with such activity: travel and subsistence costs for training participants, costs associated with securing the services of trainers, rental of training facilities, preparation and reproduction of training materials, and other costs directly related to training preparation and implementation.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. Section 3.02 is modified to read as follows:

“Section 3.02. Service Charge and Interest Charge

- (a) *Service Charge.* The Recipient shall pay the Association a service charge on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. The Service Charge shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Service Charges shall be computed on the basis of a 360-day year of twelve 30-day months.
 - (b) *Interest Charge.* The Recipient shall pay the Association interest on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. Interest shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Interest shall be computed on the basis of a 360-day year of twelve 30-day months.”
2. Paragraph 28 of the Appendix (“Financing Payment”) is modified by inserting the words “the Interest Charge” between the words “the Service Charge” and “the Commitment Charge”.
3. The Appendix is modified by inserting a new paragraph 32 with the following definition of “Interest Charge”, and renumbering the subsequent paragraphs accordingly:

“32. “Interest Charge” means the interest charge specified in the Financing Agreement for the purpose of Section 3.02 (b).”
4. Renumbered paragraph 37 (originally paragraph 36) of the Appendix (“Payment Date”) is modified by inserting the words “Interest Charges” between the words “Service Charges” and “Commitment Charges”.
5. Renumbered paragraph 50 (originally paragraph 49) of the Appendix (“Service Charge”) is modified by replacing the reference to Section 3.02 with Section 3.02 (a).