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Financing Agreement

(Public Financial Management Improvement and Consolidation Project)

between

REPUBLIC OF SIERRA LEONE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated January 17, 2014

PARLIAMENT LIBRARY
TOWER HILL FREETOWN

CREDIT NUMBER 5350-SL

FINANCING AGREEMENT

AGREEMENT dated January 17, 2014, entered into between REPUBLIC OF SIERRA LEONE ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association").

(A) WHEREAS, the African Development Bank ("AfDB") intends to enter into a Co-financing Agreement with the Recipient in order to make available to the Recipient an amount equivalent to three million five hundred thousand Dollars (\$3,500,000) to assist in the financing of the Project (as defined herein below); and

(B) WHEREAS, the Association, acting as an administrator of grant funds to be provided by the European Union and the United Kingdom of Great Britain acting through the Department of International Development, intends to enter into an agreement with the Recipient in order to make available to the Recipient a grant amount, in several tranches, of up to thirteen million Dollars equivalent (\$13,000,000 equivalent), to assist in financing the Project (as defined herein below).

NOW, THEREFORE, 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 seven million nine hundred thousand Special Drawing Rights (SDR 7,900,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 Payment Dates are March 15 and September 15 in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
- 2.07. The Payment Currency is Dollar.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objective of the Project and Program. To this end, the Recipient shall carry out the Project through the Ministry of Finance and Economic Development ("MoFED"), 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) as a result of events which have occurred after the date of this Agreement, a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out;
 - (b) the Co-financing Agreement between the Recipient and the AfDB has failed to become effective by six (6) months after the Effective Date; and
 - (c) the AfDB has exercised any remedies under the Co-financing Agreement, or agreed with the Recipient on any actions, that could materially and adversely affect the ability of the Recipient to: (i) perform its obligations under this Agreement; and/or (ii) successfully carry out the Project.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Conditions of Effectiveness consist of the following:
- (a) The Grant Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under said Agreement (other than the effectiveness of this Agreement) have been fulfilled;
 - (b) The Recipient has adopted the first Annual Work Plan and Budget in accordance with the provisions of Section I.B.2 of Schedule 2 to this Agreement;
 - (c) The Recipient has appointed an international procurement specialist, two local procurement specialists and a Project manager in accordance with the provisions of Section III.C of Schedule 2 to this Agreement;
 - (d) The Recipient has adopted the Project Implementation Manual in accordance with the provisions of Section I.B.1 of Schedule 2 to this Agreement; and
 - (e) The Recipient has established a procurement directorate within MoFED with a composition, mandate, terms of reference and resources satisfactory to the Association.
- 5.02. The Effectiveness Deadline is one hundred and twenty (120) 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 its minister responsible for finance.
- 6.02. The Recipient's Address is:

Ministry of Finance and Economic Development
Treasury Building
George Street
Freetown, Sierra Leone

Facsimile: 232 22 228 472

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

AGREED at Freetown, Sierra Leone, as of
the day and year first above written.

REPUBLIC OF SIERRA LEONE

By



Authorized Representative

Name:

Kai-fala Marah

Title:

Minister

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative

Name:

Yusupha D. Crookes

Title:

Country Director

SCHEDULE 1

Project Description

The objective of the Project is to improve budget planning and credibility, financial control, accountability and oversight in government finances in the Recipient's territory.

The Project consists of the following parts:

Part 1. Enhancing Budget Planning and Credibility

Carrying out of a program of actions designed to improve overall budget planning, build capacity for managing contingent liabilities, and strengthen systems and procedures for budget formulation, in particular:

- (a) Strengthening budgetary and macro-fiscal planning and forecasting, through, *inter alia*: (i) Strengthening the institutional and technical capacities of: (A) the Economic Policy Research Unit for modeling, including, among others, forecasting of mineral resource revenues; and (B) the Macro-Fiscal Steering Group for forecasting and updating macroeconomic/fiscal indicators (e.g. national accounts, revenue, monetary and external sector variables), with a view to improving planning of the medium term budget; and (ii) Strengthening the capacity of MoFED for carrying out of economic surveys.
- (b) Supporting operationalization of the Public Investment Management Unit with a view to improving the public investment management function, all through the provision of technical advisory services, non-consulting services, training, operating costs and acquisition of goods for the purpose.
- (c) Developing a framework for effective management and reporting of fiscal risks, through, *inter alia*, provision of technical advisory services.
- (d) Strengthening the framework and formulation for medium term budgeting, including, *inter alia*: (i) migration to a GFS2001 compliant budget classification; (ii) recalibrating the Budget Bureau's classification systems; (iii) Developing and implementing a training program for MDAs and Local Councils; and (iv) Facilitating the reconfiguration of the budget module.

Part 2. Financial Control, Accountability and Oversight

Carrying out of a program of actions designed to strengthen financial control, improve accountability systems and practices and enhance independent and public oversight in the management and use of public finances, in particular:

- (a) Strengthening financial systems, controls, accounting and reporting, in particular:
 - (i) Implementation of IFMIS with a view to improving budget preparation and execution, cash management and financial reporting, including: (A) rolling out of IFMIS to priority MDAs and to on-budget donor funded projects; (B) the development and implementation of a disaster recovery plan for the IFMIS; (C) establishment of the IFMIS interface with other government systems, including, among others, Bank of Sierra Leone, the debt management system (CS-DRMS), and customs and tax systems (ASYCUDA & DTIS); (D) communication and change management; (E) establishment of a business continuity strategy and disaster recovery site; and (F) establishment of a data center, all through the provision of technical advisory services, non-consulting services, training, operating costs and acquisition of goods for the purpose.
 - (ii) Improving accounting and reporting functions (including collection of revenues and public expenditures incurred) to ensure consistency with national and international accounting standards, laws and regulations, in particular: (A) establishment of a TSA; (B) implementation of a document management system; (C) implementation of an electronic funds transfer system; (D) strengthening compliance with IPSAS; (E) undertaking a comprehensive review of budgeting and accounting procedures; (F) defining business processes in the roll-out of IFMIS; and (G) improving accuracy of government's financial statements.
 - (iii) Developing an effective, independent and objective internal audit function, through, *inter alia*: (A) carrying out of internal audit needs assessment and developing risk-based internal audit; (B) developing standard operating procedures manual and templates; (C) rolling out the internal audit function to all MDAs; (D) designing and implementing a training program for internal auditors in MDAs; (E) designing and implementing certification courses on internal audit; (F) supporting internal audit committees; (G) carrying out an audit of the MoE's

payroll; and (H) carrying out an audit of the Civil Service payroll, all through the provision of technical advisory services, non-consulting services, training and acquisition of goods for the purpose.

- (b) Strengthening fiscal control and cash, debt and aid management, in particular:
 - (i) Supporting implementation of the TSA (*to the extent not covered under Part (a)(ii)(A) above*), through, *inter alia*: (A) undertaking a comprehensive review of the legal framework as appropriate; (B) designing and implementing a strategy for establishing said TSA; and (C) preparation of appropriate plans for incorporating donor funded projects, banking payments and payment processes for TSA sub-accounts through IFMIS, all through the provision of technical advisory services, non-consulting services, operating costs, training and acquisition of goods for the purpose.
 - (ii) Strengthening the debt management function, through, *inter alia*: (A) provision of technical advisory services for preparation of a regulatory framework for medium term domestic bond issuance, updating of the debt sustainability analysis, and preparation of a strategy for public debt management including a training curricula; and (B) provision of associated training to PDMD staff.
 - (iii) Strengthening the aid management function in MoFED, through, *inter alia*: (A) provision of training on data collection; (B) enhancement of the development assistance database; (C) establishment of a monitoring and evaluation system; and (D) facilitating field-based data collection.
 - (iv) Strengthening the capacity of the Multilateral Projects Division ("MPD") for identifying, designing, appraising and reviewing of projects at completion, through, *inter alia*: (A) developing a procedures manual; (B) supporting data collection; and (C) improving management of said MPD's database.
- (c) Strengthening public procurement and contract management functions, in particular:
 - (i) Enhancing the institutional capacity of the public procurement function, through, *inter alia*: (A) designing and implementing a procurement capacity building strategy for delivery of appropriate training; (B) implementing a procurement training

program for stakeholders, including, practitioners, the private sector, internal auditors and civil society organizations; (C) designing a freely accessible website/online portal for advertising contracts and publishing NPPA's review reports; and (D) establishing and operationalizing a procurement directorate in the MoFED, all through the provision of technical advisory services, non-consulting services, training, operating costs and the acquisition of goods for the purpose.

- (ii) Strengthening contract management systems, through provision of technical advisory services, non-consulting services, training, operating costs and acquisition of goods for the purpose.
- (d) Strengthening the Recipient's external audit function and systems, in particular: (i) development of a comprehensive training program for auditors in collaboration with the University of Sierra Leone; (ii) supporting professional training and certification of Audit Service Sierra Leone's ("ASSL") staff; (iii) supporting operationalization of the ASSL; and (iv) design and implementation of audit management information systems, all through the provision of technical advisory services, non-consulting services, training, operating costs and acquisition of goods.
- (e) Strengthening the Recipient's legislative's and public oversight over PFM, in particular:
 - (i) Strengthening the operational capacity and effectiveness of the Public Accounts Committee, the Public Finance Committee, and the Transparency and Accountability Committee, respectively, all through the provision of technical advisory services, non-consulting services, training, operating costs and acquisition of goods for the purpose.
 - (ii) Developing the analytical and dissemination capacities of non-state actors ("NSAs") for advocacy with a view to promoting transparency and external accountability over PFM, through, *inter alia*: (A) strengthening the institutional and technical capacity of the NSA Secretariat for coordination of NSA activities; (B) enhancing the technical and institutional capacities of NSAs for advocacy; (C) facilitating access to PFM documents and reports; and (D) provision of sub-grants to NSAs ("NSA Sub-Grants") for Subprojects designed to promote social accountability in PFM.

- (iii) Strengthening the institutional and operational capacity of the Anti-Corruption Commission with a view to enhancing transparency and integrity in PFM.

Part 3. Supporting the Strengthening of Revenue Mobilization and Administration Systems

Carrying out of a program of actions designed to strengthen revenue policy and oversight of revenue collection, improve the efficiency and integrity of revenue administration, increase domestic revenue, and integrate revenue systems with the overall PFM system, in particular:

- (a) (i) Strengthening the RTPU's capacity for monitoring implementation of tax legislation and policy, through, *inter alia*: (A) provision of technical advisory services for: (aa) improving the efficiency of RTPU; (bb) developing an operational manual for said RTPU; and (cc) developing tax policies and tax reform measures (including exemptions and duty waivers); and (B) provision of specialized training to RTPU staff; and (ii) Strengthening the capacity of the CED for consolidating customs and excise regulations.
- (b) Strengthening tax and non-tax revenue administration systems and improving the efficiency and connectivity between revenue systems and PFM systems, including, among others: (i) acquisition and installation of a robust off-the-shelf tax administration system; (ii) acquisition and installation of ASYCUDA World; (iii) support initial establishment of a resource revenues unit; and (iv) strengthening the technical capacity of said unit's staff, all through the provision of technical advisory services, non-consulting services, training, operating costs and acquisition of goods for the purpose.

Part 4. Strengthening Local Governance, Financial Management and Accountability Systems

Carrying out of a program of actions designed to improve Local Councils financial management systems and to strengthen associated accountability and oversight institutions all with a view to enhancing service delivery, in particular:

- (a) Strengthening the capacity of Local Councils for medium term budgeting, including, *inter alia*, harmonization of budget classification, all through the provision of technical advisory services and training (*to the extent not covered under Part 1(d) above*).
- (b) Strengthening Local Councils' budget execution, accounting and reporting systems, in particular: (i) facilitating compliance of financial

reports with IPSAS, including among others, development and implementation of an appropriate strategy for IPSAS compliance; (ii) enhancing PETRA functions with a view to improving said Local Councils timely recording and reporting of financial transactions; (iii) establishing a uniform cadastral system across said Local Councils with a view to enhancing revenue mobilization; (iv) enhancing the capacity of said Local Councils for revenue collection and accounting; and (v) reinforcing internal audit practices in said Local Councils, all through, provision of technical advisory services, training, non-consulting services, operating costs and acquisition of goods for the purpose *(to the extent not covered under Part 2(a) above)*.

- (c) Strengthening public procurement systems in Local Councils, through provision of technical advisory services, non-consulting services, training, operating costs and acquisition of goods for the purpose *(to the extent not covered under Part 2(c) above)*.
- (d) Strengthening Local Councils' oversight and transparency systems and practices through, *inter alia*: (i) facilitating disclosure of PFM information; (ii) designing and implementing citizen friendly templates for Local Councils' budgets; (iii) organizing annual town hall meetings on PFM matters; and (iv) implementing public expenditure tracking surveys *(to the extent not covered under Part 2(e) above)*.

Part 5. PFM Reform Coordination and Project Management

- (a) Strengthening the capacity of the Project Management Unit for Project implementation, coordination and oversight, including, *inter alia*, fiduciary (procurement and financial management) aspects, monitoring and evaluation and reporting arrangements, all through provision technical advisory services, non-consulting services, training, operating costs and acquisition of goods for the purpose.
- (b) Strengthening the capacity of the PFM Directorate for, among others, monitoring and evaluating overall PFM reforms, all through the provision of technical advisory services, non-consulting services, training, operating costs and acquisition of goods for the purpose.

SCHEDULE 2

Project Execution

Section I. Institutional and Implementation Arrangements

A. Institutional Arrangements

1. Ministry of Finance and Economic Development ("MoFED")

- (a) The Recipient shall designate, at all times during the implementation of the Project, the MoFED to be responsible for prompt and efficient oversight and implementation of activities under the Project, and shall take all actions including the provision of funding, personnel and other resources necessary to enable said MoFED to implement said Project.

(b) Project Management Unit

- (i) Without limitation upon the provisions of paragraph (a) immediately above, the Recipient shall establish and thereafter maintain, at all times during the implementation of the Project, a Project Management Unit, within MoFED, with a composition (including, *inter alia*, a Project manager, a senior international procurement specialist, two local procurement specialists, a financial management specialist and a monitoring and evaluation specialist), mandate, terms of reference and resources satisfactory to the Association.
- (ii) The Project Management Unit shall be responsible for ensuring prompt and efficient day to day coordination, implementation, management and communication of Project activities and results, including: (A) fiduciary elements of Project implementation (financial management and procurement); (B) preparing the proposed annual work plan and budget; (C) ensuring the implementation of the Annual Work Plan and Budget; (D) preparing and consolidating periodic progress reports; (E) monitoring and evaluation of Project activities; (F) liaising with other stakeholders on issues related to Project implementation; and (G) providing administrative support to implementing agencies, all in accordance with the Project Implementation Manual.

2. PFM Reforms Steering Committee

Without limitation upon the provisions of paragraph 1 immediately above, the Recipient shall maintain, at all times during the implementation of the Project,

the PFM Reforms Steering Committee, with a composition, mandate, terms of reference and resources satisfactory to the Association, to be responsible for, *inter alia*, providing strategic oversight and policy guidance on matters relating to the Project.

3. PFM Technical Management Committee

Without limitation upon the provisions of paragraphs 1 and 2 immediately above, the Recipient shall maintain, at all times during the implementation of the Project, a PFM Technical Management Committee, with a composition, mandate, terms of reference and resources satisfactory to the Association, to be responsible for providing quality assurance on technical aspects of the Project. The PFM Technical Management Committee shall be responsible for: (a) reviewing and endorsing for subsequent approval by the PFM Reforms Steering Committee, the Project's proposed annual work plan and budget and ensuring its consistency with the Project Implementation Manual; (b) reviewing the periodic Project reports and financial reports referred to in Section II of this Schedule 2 prior to transmission to the PFM Reforms Steering Committee; (c) facilitating coordination of Project activities and removal of any obstacle(s) to the implementation of the Project; and (d) monitoring and evaluating impacts of Project activities.

4. IFMIS Project Management Implementation Coordination Team

Without limitation upon the provisions of paragraphs 1, 2 and 3 immediately above, the Recipient shall establish and thereafter maintain, at all times during the implementation of the Project, an IFMIS Project Management Implementation Coordination Team, with a composition, mandate, terms of reference and resources satisfactory to the Association, to be responsible for, *inter alia*, day to day implementation, coordination and management of activities under Part 2(a)(i) of the Project. To this end, the Recipient shall, through MoFED, not later than two (2) months after the Effective Date, appoint in accordance with the provisions of Section III of this Schedule 2, and thereafter maintain at all times during Project implementation, an IFMIS project manager, with qualifications, experience and terms of reference satisfactory to the Association.

5. Audit Service of Sierra Leone

Without limitation upon the provisions of paragraphs 1, 2, 3 and 4 immediately above, the Recipient shall designate, at all times during the implementation of the Project, the Audit Service of Sierra Leone, with a composition, mandate, terms of reference and resources satisfactory to the Association, to be responsible for fiduciary (financial management and procurement) aspects, under Part 2(d) of the Project.

B. Implementation Arrangements

1. Project Implementation Manual; NSA Sub-Grants Manual

- (a) The Recipient shall prepare, in accordance with terms of reference acceptable to the Association and furnish to the Association for review:
 - (i) a Project implementation manual, which shall include provisions on the following matters: (A) arrangements on financial management, setting forth the detailed policies and procedures for financial management under the Project; (B) procurement management procedures; (C) institutional administration, coordination and day to day execution of Project activities; (D) monitoring and evaluation; (E) reporting; (F) information, education and communication of Project activities; and (G) such other technical and organizational arrangements and procedures as shall be required for the Project; and
 - (ii) a manual, for the provision of NSA Sub-Grants for Subprojects under Part 2(e)(ii)(D) of the Project ("NSA Sub-Grants manual").
- (b) The Recipient shall afford the Association a reasonable opportunity to exchange views with the Recipient on said Project implementation manual and said NSA Sub-Grants manual, respectively, and thereafter, shall adopt such Project implementation manual and such NSA Sub-Grants manual, respectively, as shall have been approved by the Association ("Project Implementation Manual" and "NSA Sub-Grants Manual", respectively).
- (c) The Recipient shall ensure that the Project is carried out in accordance with the Project Implementation Manual and the NSA Sub-Grants Manual, respectively; provided, however, that in case of any conflict between the provisions of the Project Implementation Manual and the NSA Sub-Grants Manual, respectively, and the provisions of this Agreement, the provisions of this Agreement shall prevail.
- (d) Except as the Association shall otherwise agree, the Recipient shall not amend, abrogate or waive any provision of the Project Implementation Manual and the NSA Sub-Grants Manual, respectively.

2. Annual Work Plan and Budget

- (a) The Recipient shall prepare and furnish to the Association not later than November 30 of each Fiscal Year during the implementation of the

Project, a work plan and budget containing all activities proposed to be included in the Project during the following Fiscal Year, and a proposed financing plan for expenditures required for such activities, setting forth the proposed amounts and sources of financing.

- (b) Each such proposed work plan and budget shall specify any training activities that may be required under the Project, including: (i) the type of training; (ii) the purpose of the training; (iii) the personnel to be trained; (iv) the institution or individual who will conduct the training; (v) the location and duration of the training; and (vi) the cost of the training.
- (c) The Recipient shall afford the Association a reasonable opportunity to exchange views with the Recipient on each such proposed work plan and budget and thereafter ensure that the Project is implemented with due diligence during said following Fiscal Year in accordance with such work plan and budget as shall have been approved by the Association ("Annual Work Plan and Budget").
- (d) The Recipient shall not make or allow to be made any change to the approved Annual Work Plan and Budget without prior approval in writing by the Association.
- (e) The Association shall, on the basis of the Annual Work Plan and Budget, determine the list of expenditures to be financed out of the combined proceeds of the Financing ("Annual Work Plan Expenditures") and the percentage of the Annual Work Plan Expenditures which may be financed out of the proceeds of the Financing.

C. Anti-Corruption

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

D. Subprojects under Part 2(e)(ii)(D) of the Project; NSA Sub-Grants

1. *Eligibility.* In order to ensure the proper implementation of Part 2(e)(ii)(D) of the Project, the Recipient shall, through the NSA Secretariat, make NSA Sub-Grants to NSAs for Subprojects in accordance with eligibility criteria and procedures acceptable to the Association, which shall include, *inter alia*, the following:
 - (a) the Recipient, through the NSA Secretariat, has determined on the basis of an appraisal carried out in accordance with guidelines acceptable to the Association, and elaborated in the NSA Sub-Grants Manual, that:

- (i) the proposed NSA; (A) is a legal entity, with the organization, management, technical capacity and financial resources necessary to carry out the proposed Subproject; and (B) has prepared a satisfactory financing plan and budget, and a satisfactory implementation plan for the proposed Subproject; and
 - (ii) the proposed Subproject is technically feasible, and financially and economically sound; and
- (b) the: (i) aggregate amount of all NSA Sub-Grants made in a given Fiscal Year to NSAs shall not exceed the limit set out in the Annual Work Plan and Budget; and (ii) maximum amount of each NSA Grant for a Subproject shall not exceed 100 percent of the total estimated cost of the Subproject minus the amount of other funds allocated to finance such cost.

2. NSA Grant Agreement

- (a) The Recipient shall make each NSA Grant to a NSA under a Grant Agreement on terms and conditions satisfactory to the Association, as further described in the NSA Sub-Grants Manual, which shall include the following:
- (i) the amount of the NSA Grant shall not exceed the total estimated cost of the Subproject; and the proceeds of the NSA Grant shall be made available to a NSA on non-reimbursable grant terms;
 - (ii) a description of the Subproject and the applicable rates for the services included thereunder;
 - (iii) the NSA shall be required to: (A) carry out the Subproject with due diligence and efficiency and in accordance with sound technical, financial, administrative, and environmental practices; (B) ensure that the resources required for the Subproject are provided promptly as needed; (C) procure goods, non-consulting services, services and other Eligible Expenditures required for the Subproject in accordance with Section III of this Schedule; (D) maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with indicators acceptable to the Association, the progress of the Subproject and the achievement of its objectives; and (E) (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 Subproject; and (ii) at the request of the Association or the Recipient, have such records audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the records as so audited to the Recipient and the Association;

- (iv) the NSA shall be required to carry out the Subproject in accordance with the provisions of the Anti-Corruption Guidelines;
 - (v) the NSA shall be required to carry out the Subproject in accordance with the provisions of the NSA Sub-Grants Manual;
 - (vi) the goods, non-consulting services, consultants' services and other Eligible Expenditures to be financed out of the proceeds of the NSA Grant shall be used exclusively for the Subproject; and
 - (vii) the Recipient shall have the right to: (A) inspect by itself, or jointly with the Association, if the Association shall so request, the goods and sites included in the Subproject, the operations thereof, and any relevant records and documents; (B) obtain all information as it, or the Association, shall reasonably request regarding the administration, operation, and financial condition of the NSA; and (C) suspend or terminate the right of the NSA to use the proceeds of the NSA Sub-Grant, or obtain a refund of all or any part of the amount of the NSA Sub-Grant then withdrawn, as the case may be, upon failure by the NSA to perform any of its obligations under the NSA Grant Agreement; and
- (b) The Recipient shall exercise its rights under the NSA Grant Agreement in such manner as to protect its interests and those of the Association (including, the right to suspend or terminate the right of the NSA to use the proceeds of the NSA Sub-Grant, or obtain a refund of all or any part of the amount of the NSA Sub-Grant then withdrawn, upon the NSA's failure to perform any of its obligations under the NSA Grant Agreement) and to accomplish the purposes of the NSA Sub-Grant, and, except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, the aforementioned, or any provision thereof.

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 indicators acceptable to the Association. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than one month 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.
2. The Recipient shall prepare and furnish 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 months after the end of such period.
4. Other Review(s); Project Management Unit

Without limitation upon the provisions of paragraph 3 immediately above, the Recipient shall undertake quarterly reviews of the PMU's financial management activities under terms and conditions satisfactory to the Association, and furnish said reviews' findings to the Association not later than sixty (60) days after the end of the period to which said quarterly review(s) relates.
5. Part 2 (d) of the Project; Audit Service Sierra Leone

Without limitation upon the provisions of paragraph 4 immediately above, in order to assist the Audit Service Sierra Leone in preparing an audit of its Financial Statements for Part 2(d) of the Project, in each Fiscal Year, the Recipient shall, appoint an External Auditor, in accordance with the provisions of Section III of this Schedule. 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.

Section III. Procurement

A. General

1. **Goods and Non-consulting Services.** All goods 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 and Non-consulting Services

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Non-consulting Services.** 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, *subject to the additional provisions in paragraph 3 below*; (b) Shopping; and (c) Direct Contracting.
3. **Exceptions to National Competitive Bidding (NCB) Procedures.** The procedures to be followed for NCB shall be the open competitive bidding procedure set forth in the Public Procurement Act; provided, however, that such procedure shall be subject to the provisions of Section I, and Paragraphs 3.3 and 3.4 of the Procurement Guidelines, and the following additional provisions:
 - (a) Bidding documents acceptable to the Association shall be used;
 - (b) Eligibility to participate in a procurement process and to be awarded an Association-financed contract shall be as defined under Section I of the Procurement Guidelines; accordingly, no bidder or potential bidder shall be declared ineligible for contracts financed by the Association for reasons other than those provided in Section I of the Procurement

Guidelines. Foreign bidders shall be allowed to participate in NCB procedures, and foreign bidders shall not be obligated to partner with local bidders in order to participate in a procurement process;

- (c) Bidding shall not be restricted to pre-registered firms, and foreign bidders shall not be required to be registered with local authorities as a prerequisite for submitting bids;
- (d) No margins of preference of any sort (e.g., on the basis of bidder nationality, origin of goods, services or labor, and/or preferential programs) shall be applied in the bid evaluation;
- (e) Joint venture or consortium partners shall be jointly and severally liable for their obligations. Bidders shall be given at least thirty (30) days from the date of publication of the invitation to bid or the date of availability of the bidding documents, whichever is later, to prepare and submit bids. Bids shall be submitted in a single envelope;
- (f) An extension of bid validity, if justified by exceptional circumstances, may be requested in writing from all bidders before the original bid validity expiration date, provided that such extension shall cover only the minimum period required to complete the evaluation and award a contract, but not to exceed thirty (30) days. No further extensions shall be requested without the prior written concurrence of the Association;
- (g) All bids (or the sole bid if only one bid is received) shall not be rejected, the procurement process shall not be cancelled, and new bids shall not be solicited without the Association's prior written concurrence;
- (h) Qualification criteria shall be applied on a pass or fail basis;
- (i) Bidders shall be given at least twenty-eight (28) days from the receipt of notification of award to submit performance securities;
- (j) In accordance with the Procurement Guidelines, each bidding document and contract shall include provisions stating the Association's policy to sanction firms or individuals found to have engaged in fraud and corruption as set forth in the Procurement Guidelines; and
- (k) In accordance with the Procurement Guidelines, each bidding document and contract shall include provisions stating the Association's policy with respect to inspection and audit of accounts, records and other documents relating to the submission of bids and contract performance.

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: (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) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (g) Single-source procedures for the Selection of 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.

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, non-consulting services, consultants' services, Training and Operating Costs under Parts 1; 2 (a), (b), (c) and (e) (i), (ii) (A), (B) (C) and (iii); 3; 4 and 5 of the Project	7,400,000	Such percentage of Annual Work Plan Expenditures as the Association may determine for each Fiscal Year and communicate to the Recipient
(2) NSA Sub-Grants under Part 2 (e)(ii)(D) of the Project	90,000	Such percentage of Annual Work Plan Expenditures as the Association may determine for each Fiscal Year and communicate to the Recipient
(3) Goods, non-consulting services, consultants' services, Training and Operating Costs under Part 2(d) of the Project	410,000	Such percentage of Annual Work Plan Expenditures as the Association may determine for each Fiscal Year and communicate to the Recipient
TOTAL AMOUNT	7,900,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
 - (a) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed SDR 330000 may be made for payments made prior to this date but on or after October 1, 2013, for Eligible Expenditures under Category 1; or
 - (b) for payments under Category 2, unless and until the Recipient has adopted the NSA Sub-Grants Manual, in accordance with the provisions of Section I.B.1 of Schedule 2 to this Agreement.
2. The Closing Date is March 31, 2018.

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, 2024, to and including September 15, 2033	1%
commencing March 15, 2034, to and including September 15, 2053	2%

* 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

Definitions

1. "African Development Bank" means the African regional development bank.
2. "Annual Work Plan and Budget" means the program of activities agreed each year between the Recipient and the Association for inclusion in the Project and financing in accordance with Section I.B.2 of Schedule 2 to this Agreement during the following Fiscal Year, as the same may be revised from time to time, all in accordance with the provisions of the said Section.
3. "Annual Work Plan Expenditures" means the Annual Work Plan Expenditures referred to in Section I.B.2 (e) of Schedule 2 to this Agreement.
4. "Anti-Corruption Commission" means the Recipient's commission established and operating pursuant to the Anti-Corruption Act Number 12 of 2008, of the laws of the Recipient.
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. "ASYCUDA" means an earlier version of the Automated System for Customs Data issued by the United Nations Conference for Trade and Development.
7. "ASYCUDA World" means the latest version of the Automated System for Customs Data issued by the United Nations Conference for Trade and Development.
8. "Audit Service Sierra Leone" or "ASSL" means the Recipient's Audit Service established and operating pursuant to Part II of the Audit Service Act Number 1 of 1998 of the laws of the Recipient, as amended to date.
9. "Bank of Sierra Leone" means the central bank of the Recipient established and operating pursuant to the Bank of Sierra Leone Act Number 3 of 2000 of the laws of the Recipient, as amended to date.
10. "Budget Bureau" means the unit within MoFED responsible for preparation of the national budget.
11. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.

12. "CED" means the customs and excise division within the National Revenue Authority, established and operating pursuant to the National Revenue Authority Act Number 11 of 2002 as amended to date.
13. "Co-financier" means the following financier, other than the Association, who intends to provide financing to the Project, namely, the African Development Bank.
14. "Co-financing" means, for purposes of paragraph 11 of the Appendix to the General Conditions, an aggregate amount of not less than three million five hundred thousand Dollars (\$3,500,000), to be provided by the Co-financier to assist in financing the Project.
15. "Co-financing Agreement" means the agreement to be entered into between the Recipient and AfDB providing for the Co-financing.
16. "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.
17. "CS-DRMS" means the Commonwealth Secretariat Debt Recording and Management System.
18. "DTIS" means the Recipient's Domestic Tax Information System.
19. "Economic Policy Research Unit" means the unit within MoFED responsible for macro-economic fiscal policy.
20. "External Auditor" means the auditor appointed by Parliament in accordance with the provisions of Section 16 of the Audit Service Act Number 1 of 1998 of the laws of the Recipient, as amended to date.
21. "Fiscal Year" means the Recipient's fiscal year commencing January 1 and ending December 31 of each year.
22. "General Conditions" means the "International Development Association General Conditions for Credits and Grants", dated July 31, 2010.
23. "GFS2001" means the Government Finance Statistics Manual 2001, an internationally recognized statistical reporting framework aimed at helping national authorities to strengthen their capacity to formulate fiscal policy and monitor fiscal developments and developed by the International Monetary Fund.
24. "Grant Agreement" means the agreement dated the same date as this Agreement, between the Recipient and the Association, acting as administrator of a multi-donor trust fund, providing for the Grant.

25. "Grant" means an aggregate amount of thirteen million United States Dollars (US\$13,000,000), to be provided by the World Bank, acting as administrator of the multi-donor trust fund, to assist in financing the Project.
26. "IFMIS" means the integrated financial management information system.
27. "IFMIS Project Management Implementation Coordination Team" means the Recipient's committee referred to in Section I.A.4 of Schedule 2 to this Agreement.
28. "IPSAS" means International Public Sector Accounting Standards.
29. "Local Council" or "LC" means a local council established and operating pursuant to the Local Government Act Number 1 of 2004 of the laws of the Recipient, as amended from time to time, and any successor thereto, and "Local Councils" or "LCs" means, collectively, all such Local Councils.
30. "Macro-Fiscal Steering Group" means the macro-fiscal steering group within MoFED.
31. "MDAs" means the Recipient's ministries, departments and agencies, and "MDA" means any such individual MDA.
32. "MoE" means the Recipient's Ministry of Education, or any successor thereto.
33. "MoFED" means the Recipient's Ministry of Finance and Economic Development, or any successor thereto.
34. "Multi-lateral Projects Division" or "MPD" means the division within MoFED responsible for coordinating donor funded projects.
35. "NPPA" means the National Public Procurement Authority established and operating pursuant to Section 3 of the Public Procurement Act.
36. "NSA" means a non-state actor established and operating under the laws of the Recipient as a not-for-profit legal entity, and "NSAs" means, collectively, two or more such non-state actors.
37. "NSA Grant Agreement" means the agreement referred to in Section I.D.2 of Schedule 2 to this Agreement.
38. "NSA Sub-Grant" means a sub-grant made to a NSA under Part 2(e)(ii)(D) of the Project.
39. "NSA Secretariat" means the secretariat within MoFED responsible for coordinating non-state actors' activities.

40. "Parliament" means the Recipient's parliament established and operating pursuant to Chapter VI of the Constitution of the Recipient Act Number 6 of 1991 of the laws of the Recipient, as amended to date.
41. "PDMD" means the Public Debt Management Division within MoFED.
42. "PETRA" means the internationally recognized integrated software solutions package.
43. "PFM" means Public Financial Management.
44. "PFM Reforms Steering Committee" means the Recipient's committee referred to in Section I.A.2 of Schedule 2 to this Agreement.
45. "PFM Technical Management Committee" means the Recipient's committee referred to in Section I.A.3 of Schedule 2 to this Agreement.
46. "PFMR Directorate" means the directorate within MoFED responsible for coordinating PFM reforms in the Recipient's territory.
47. "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.
48. "Procurement Plan" means the Recipient's procurement plan for the Project, dated October 9, 2013, 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.
49. "Program" means the document of the Recipient entitled *Public Financial Management Reform Strategy 2014-17* dated June 2013.
50. "Project Implementation Manual" means the manual, in form and substance satisfactory to the Association, referred to in Section I.B.1 of Schedule 2 to this Agreement; as such manual may be amended from time to time with written agreement of the Association.
51. "Project Management Unit" means the Recipient's unit referred to in Section I.A.1(b) of Schedule 2 to this Agreement.
52. "Project Steering Committee" means the Recipient's committee referred to in Section I.A.2 of Schedule 2 to this Agreement.
53. "Public Accounts Committee" means the committee established and operating in Parliament pursuant to Section 93 of the Constitution of the Recipient Act Number 6 of 1991 of the laws of the Recipient, as amended to date.

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54. "Public Finance Committee" means the Committee established and operating in Parliament pursuant to Section 93 of the Constitution of the Recipient Act Number 6 of 1991 of the laws of the Recipient, as amended to date.
55. "Public Investment Management Unit" means the public investment management unit within MoFED.
56. "Public Procurement Act" means the Public Procurement Act Number 14 of 2004 of the laws of the Recipient, as amended to date.
57. "RTPU" means the revenue and tax policy unit within MoFED.
58. "Subproject" means a specific development project carried out or to be carried out by a NSA under Part 2(e)(ii)(D) of the Project and financed or to be financed out of the proceeds of the Financing through a NSA Sub-Grant; and "Subprojects" means, collectively, two or more such subprojects.
59. "Training" means the costs associated with training, workshops, seminars and conferences based on an Annual Work Plan and Budget approved by the Association pursuant to Section I.B.2 of Schedule 2 to this Agreement, for reasonable expenditures (other than expenditures for consultants' services), including: (i) travel, room, board and *per diem* expenditures incurred by trainers and trainees in connection with their training and by non-consultant training facilitators; (ii) course fees; (iii) training facility rentals; and (iv) training material preparation, acquisition, reproduction and distribution expenses; and
60. "Transparency and Accountability Committee" means the Committee established and operating in Parliament pursuant to Section 93 of the Constitution of the Recipient Act Number 6 of 1991 of the laws of the Recipient, as amended to date.
61. "TSA" means Treasury Single Account.
62. "University of Sierra Leone" means the university established and operating pursuant to Section 3 of the Universities Act Number 1 of 2005 of the laws of the Recipient as amended to date, or any successor thereto.
63. "Operating Costs" means the incremental expenses incurred on account of Project implementation, based on an Annual Work Plan and Budget approved by the Association pursuant to Section I.B.2 of Schedule 2 to this Agreement, on account of office equipment and supplies, vehicle operation and maintenance, maintenance of equipment, communication and insurance costs, office administration costs, utilities, rental, consumables, accommodation, travel and *per diem*, excluding the salaries of the Recipient's civil servants.

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