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GRANT NUMBER H960 -SL

# Financing Agreement

(Sixth Governance Reform and Growth Development Policy Financing)

between

REPUBLIC OF SIERRA LEONE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated April 24, 2014

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GRANT NUMBER H960 -SL

## FINANCING AGREEMENT

AGREEMENT dated April 24, 2014, entered into between REPUBLIC OF SIERRA LEONE ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Association has decided to provide this financing on the basis, *inter alia*, of: (a) the actions which the Recipient has already taken under the Program and which are described in Section I of Schedule 1 to this Agreement; and (b) the Recipient's maintenance of an adequate macroeconomic policy framework. The Recipient and the Association therefore hereby agree as follows:

### ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

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

### ARTICLE II — FINANCING

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equivalent to sixteen million three hundred thousand Special Drawing Rights (SDR 16,300,000) ("Financing").
- 2.02. The Recipient may withdraw the proceeds of the Financing in support of the Program in accordance with Section II of Schedule 1 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Payment Dates are February 1 and August 1 in each year.
- 2.05. The Payment Currency is Dollar.

### ARTICLE III — PROGRAM

- 3.01. The Recipient declares its commitment to the Program and its implementation. To this end:



- (a) the Recipient and the Association shall from time to time, at the request of either party, exchange views on the Recipient's macroeconomic policy framework and the progress achieved in carrying out the Program;
- (b) prior to each such exchange of views, the Recipient shall furnish to the Association for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Association shall reasonably request; and
- (c) without limitation upon the provisions of paragraphs (a) and (b) of this Section, the Recipient shall promptly inform the Association of any situation that would have the effect of materially reversing the objectives of the Program or any action taken under the Program including any action specified in Section 1 of Schedule 1 to this Agreement.

#### ARTICLE IV — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Event of Suspension consists of the following, namely, that a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.

#### ARTICLE V — EFFECTIVENESS; TERMINATION

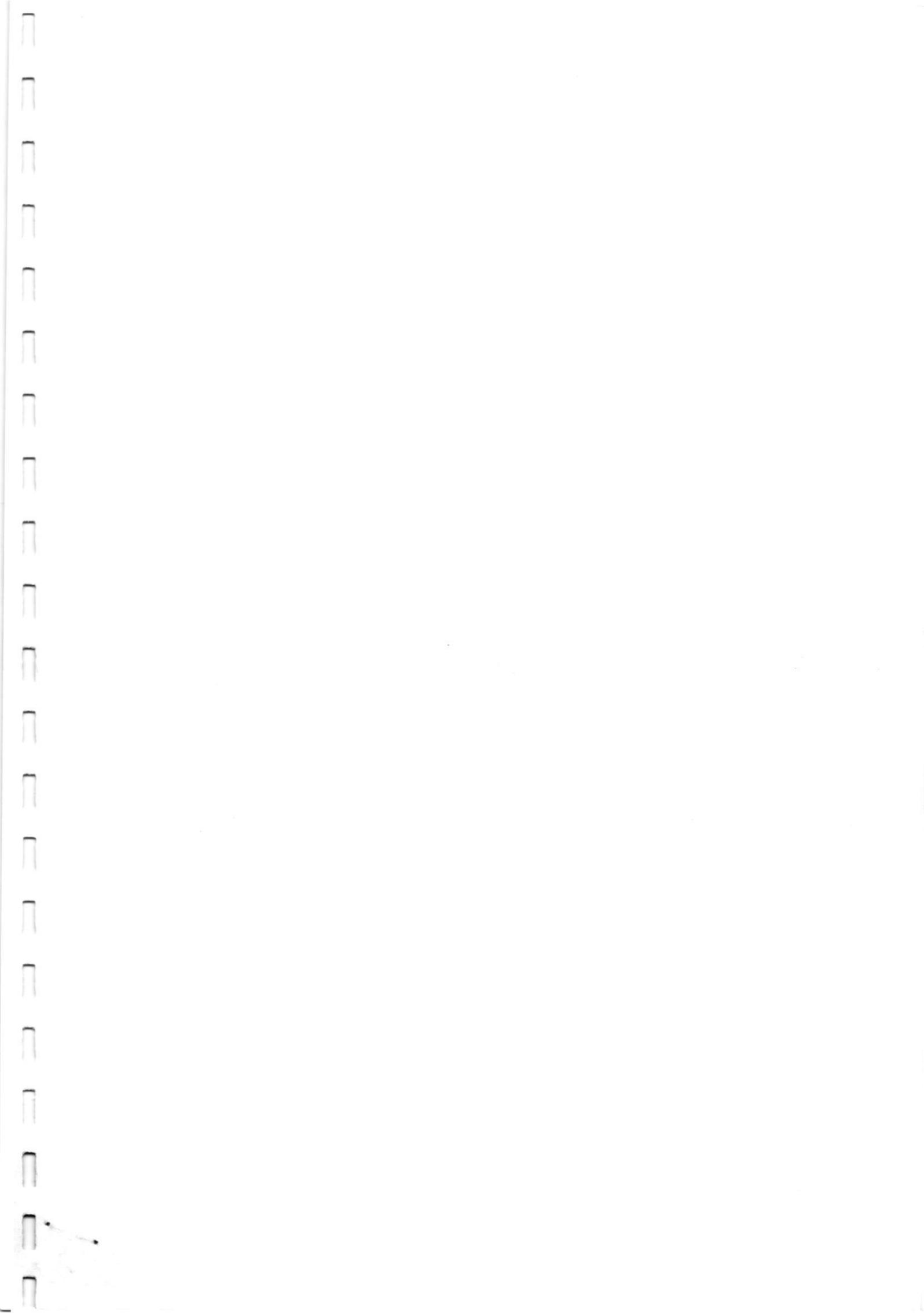
- 5.01. The Additional Condition of Effectiveness consists of the following, namely, that the Association is satisfied with the progress achieved by the Recipient in carrying out the Program and with the adequacy of the Recipient's macroeconomic policy framework.
- 5.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

#### ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Recipient's Representative is 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 address:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423(MCI)	1-202-477-6391



AGREED at Washington D.C., United States of America, as of the day and year first above written.

REPUBLIC OF SIERRA LEONE

By



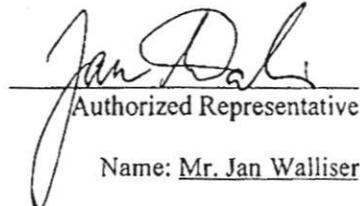
Authorized Representative

Name: H. E. Bockarie K. Stevens

Title: Ambassador

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative

Name: Mr. Jan Walliser

Title: Director, Strategy and Operations, AFRVP



## SCHEDULE 1

### Program Actions; Availability of Financing Proceeds

#### Section I. Actions under the Program

The actions taken by the Recipient under the Program include the following:

1. The Recipient has, through its Ministry of Finance and Economic Development, prepared and executed a plan fully accounting for unpaid financial obligations incurred in Fiscal Year 2012 and met said unpaid financial obligations in Fiscal Year 2013, in accordance with the provisions of paragraph 32 of the Letter of Development Policy;
2. The Recipient has, through its Ministry of Finance and Economic Development, submitted a Supplementary Budget for Fiscal Year 2013 to Parliament, in accordance with the provisions of paragraph 32 of the Letter of Development Policy;
3. The Recipient has, through its Public Sector Reform Unit, its Ministry of Education, Science and Technology; and its Office of Accountant General, collectively, completed the teacher verification exercise and updated human resource records and the teachers payroll, respectively, in accordance with the provisions of paragraphs 33, 34 and 35 of the Letter of Development Policy; of paragraphs 33, 34 and 35 of the Letter of Development Policy;
4. The Recipient has, through its National Revenue Authority, taken administrative and enforcement actions with a view to increasing compliance and timeliness of filing of Income Tax returns, in accordance with the provisions of paragraph 36 of the Letter of Development Policy;
5. The Recipient has, through its National Revenue Authority, initiated recovery proceedings on all Income Tax arrears' cases, in accordance with the provisions of paragraph 37 of the Letter of Development Policy;
6. The Recipient has, through its Ministry of Finance and Economic Development, disclosed publicly in the first half of Fiscal Year 2013, a statement of the revenue collected in Fiscal Year 2012 from the top extractive industries covering at least 90 percent of the total collection, by revenue type, in accordance with §159 of the Mines and Minerals Act, and consistent with the Recipient's commitments under the Extractive Industries Transparency Initiative, in accordance with the provisions of paragraph 37 of the Letter of Development Policy;
7. The Recipient has, through its Ministry of Mines and Mineral Resources, submitted the Bill entitled "the National Minerals Agency Act, 2012" dated February 2, 2012, to its Parliament, in accordance with the provisions of paragraph 38 of the Letter of Development Policy;



8. The Recipient has, through its Ministry of Energy, implemented a loss reduction plan, in accordance with the provisions of paragraph 39 of the Letter of Development Policy; and
9. The Recipient has, through its Ministry of Finance and Economic Development, issued a Letter of Government Policy in Utility Reform in the Electricity Sector committing to, *inter alia*, a performance-based contract for utility operation and management to be awarded to a competitively selected specialized firm, in accordance with the provisions of paragraph 40 of the Letter of Development Policy.

**Section II. Availability of Financing Proceeds**

- A. **General.** The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of this Section and such additional instructions as the Association may specify by notice to the Recipient.
- B. **Allocation of Financing Amounts.** The Financing is allocated in a single withdrawal tranche, from which the Recipient may make withdrawals of the Financing. The allocation of the amounts of the Financing to this end is set out in the table below:

Allocation	Amount of the Financing Allocated (expressed in SDR)
Single Withdrawal Tranche	16,300,000
<b>TOTAL AMOUNT</b>	<b>16,300,000</b>

- C. **Withdrawal Tranche Release Conditions.** No withdrawal shall be made of the Single Withdrawal Tranche unless the Association is satisfied: (i) with the Program being carried out by the Recipient; and (ii) with the adequacy of the Recipient's macroeconomic policy framework.
- D. **Deposits of Financing Amounts.** Except as the Association may otherwise agree:
  1. all withdrawals from the Financing Account shall be deposited by the Association into an account designated by the Recipient and acceptable to the Association; and
  2. the Recipient shall ensure that upon each deposit of an amount of the Financing into this account, an equivalent amount is accounted for in the



Recipient's budget management system, in a manner acceptable to the Association.

- E. **Excluded Expenditures.** The Recipient undertakes that the proceeds of the Financing shall not be used to finance Excluded Expenditures. If the Association determines at any time that an amount of the Financing was used to make a payment for an Excluded Expenditure, the Recipient shall, promptly upon notice from the Association, refund an amount equal to the amount of such payment to the Association. Amounts refunded to the Association upon such request shall be cancelled.
  
- F. **Closing Date.** The Closing Date is June 30, 2015.



APPENDIX

Section I. Definitions

1. "Excluded Expenditure" means any expenditure:

- (a) for goods or services supplied under a contract which any national or international financing institution or agency other than the Association or the Bank has financed or agreed to finance, or which the Association or the Bank has financed or agreed to finance under another credit, grant or loan;
- (b) for goods included in the following groups or sub-groups of the Standard International Trade Classification, Revision 3 (SITC, Rev.3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev.3 (1986) (the SITC), or any successor groups or subgroups under future revisions to the SITC, as designated by the Association by notice to the Recipient:

Group	Sub-group	Description of Item
112		Alcoholic beverages
121		Tobacco, un-manufactured, tobacco refuse
122		Tobacco, manufactured (whether or not containing tobacco substitutes)
525		Radioactive and associated materials
667		Pearls, precious and semiprecious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors
728	728.43	Tobacco processing machinery
897	897.3	Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
971		Gold, non-monetary (excluding gold ores and concentrates)



- (c) for goods intended for a military or paramilitary purpose or for luxury consumption;
  - (d) for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws of the Recipient or international agreements to which the Recipient is a party;
  - (e) on account of any payment prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and
  - (f) with respect to which the Association determines that corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Recipient or other recipient of the Financing proceeds, without the Recipient (or other such recipient) having taken timely and appropriate action satisfactory to the Association to address such practices when they occur.
2. "Extractive Industries Transparency Initiative" means the non-profit association established in 2002 pursuant to the laws of the Kingdom of Norway, said association consisting of representatives of governments and relevant agencies, oil, gas and mining companies, investors, asset management companies and pension funds, local civil society groups and international non-governmental organizations engaged in a voluntary global compact for the improvement of transparency in countries that are dependent on extractive industries.
3. "Fiscal Year" means the fiscal year of the Recipient commencing on January 1 and ending on December 31 of the same year.
4. "General Conditions" means the "International Development Association General Conditions for Credits and Grants", dated July 31, 2010 with the modifications set forth in Section II of this Appendix.
5. "Income Tax" means the Recipient's tax imposed on every person who has chargeable income for the year of assessment, pursuant to the provisions of Section 3 of the Income Tax Act Number 8 of 2000 (and any amendment thereto), of the laws of the Recipient.
6. "Letter of Government Policy in Utility Reform for the Electricity Sector" means the Recipient's program of actions, objectives and policies designed to unbundle and strengthen the performance of the electricity sector as set forth or referred to in the letter dated October 2, 2013, from the Recipient to the Association.
7. "Mines and Minerals Act" means Act Number 12 of 2009 (and any amendment thereto), of the laws of the Recipient.



8. "Ministry of Education, Science and Technology" means the Recipient's ministry responsible for, *inter alia*, education, and any successor thereto.
9. "Ministry of Energy" means the Recipient's ministry responsible for energy, and any successor thereto.
10. "Ministry of Finance and Economic Development" means the Recipient's ministry responsible for, *inter alia*, finance, and any successor thereto.
11. "Ministry of Mines and Mineral Resources" means the Recipient's ministry responsible for, *inter alia*, mines and mineral resources, and any successor thereto.
12. "National Minerals Agency Act, 2012" means the Recipient's draft Bill, Supplement to the Sierra Leone Gazette Vol. CXLIII, No. 5 dated February 2, 2012.
13. "National Revenue Authority" means the Recipient's authority established and operating pursuant to the National Revenue Authority Act Number 11 of 2002, of the laws of the Recipient.
14. "Office of Accountant General" means the Recipient's office established and operating pursuant to the Government Budgeting and Accountability Act Number 3 of 2005, of the laws of the Recipient.
15. "Office of the President" means the Recipient's office established and operating pursuant to Section 40 of the Constitution of Sierra Leone Act Number 6 of 1991, of the laws of the Recipient.
16. "Parliament" means the Recipient's parliament established and operating pursuant to Section 73 of the Constitution of Sierra Leone Act Number 6 of 1991, of the laws of the Recipient.
17. "Program" means the program of actions, objectives and policies designed to promote growth and achieve sustainable reductions in poverty and set forth or referred to in the letter dated November 26, 2013, from the Recipient to the Association declaring the Recipient's commitment to the execution of the Program, and requesting assistance from the Association in support of the Program during its execution.
18. "Public Sector Reform Unit" means the Recipient's unit in the Office of the President.
19. "Single Withdrawal Tranche" means the amount of the Financing allocated to the category entitled "Single Withdrawal Tranche" in the table set forth in Part B of Section II of Schedule 1 to this Agreement.



20. "Supplementary Budget" means the Recipient's supplementary budget as set out in the Bill entitled *Supplementary Appropriation Act, 2013*, and published in the Recipient's Gazette Extraordinary Volume CXLIV Number 28 dated June 24, 2013.

**Section II. Modifications to the General Conditions**

The modifications to the General Conditions are as follows:

1. The last sentence of paragraph (a) of Section 2.03 (relating to Applications for Withdrawal) is deleted in its entirety.
2. Sections 2.04 (*Designated Accounts*) and 2.05 (*Eligible Expenditures*) are deleted in their entirety, and the remaining Sections in Article II are renumbered accordingly.
3. Sections 4.01 (*Project Execution Generally*), and 4.09 (*Financial Management; Financial Statements; Audits*) are deleted in their entirety, and the remaining Sections in Article IV are renumbered accordingly.
4. Paragraph (a) of Section 4.05 (renumbered as such pursuant to paragraph 3 above and relating to *Use of Goods, Works and Services*) is deleted in its entirety.
5. Paragraph (c) of Section 4.06 (renumbered as such pursuant to paragraph 3 above) is modified to read as follows:

"Section 4.06. *Plans; Documents; Records*

... (c) The Recipient shall retain all records (contracts, orders, invoices, bills, receipts and other documents) evidencing expenditures under the Financing and other documents) evidencing the Association's representatives to examine such records."

6. Section 4.07 (renumbered as such pursuant to paragraph 3 above) is modified to read as follows:

"Section 4.07. *Program Monitoring and Evaluation*

... (c) The Recipient shall prepare, or cause to be prepared, and furnish to the Association not later than six months after the Closing Date, a report of such scope and in such detail as the Association shall reasonably request, on the execution of the Program, the performance by the Recipient and the Association of their respective obligations under the Legal Agreements and the accomplishment of the purposes of the Financing."



7. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

(a) The definition of the term "Eligible Expenditure" is modified to read as follows:

"'Eligible Expenditure' means any use to which the Financing is put in support of the Program, other than to finance expenditures excluded pursuant to the Financing Agreement."

(b) The term "Financial Statements" and its definition as set forth in the Appendix are deleted in their entirety.

(c) The term "Project" is modified to read "Program" and its definition is modified to read as follows:

"'Program' means the program referred to in the Financing Agreement in support of which the Financing is made." All references to "Project" throughout these General Conditions are deemed to be references to "Program".

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