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PROGRAMME ID No.: P-SL-KA0-016
GRANT No.: 5900155015251

PROTOCOL OF AGREEMENT

AMONGST

THE REPUBLIC OF SIERRA LEONE

AND

AFRICAN DEVELOPMENT BANK

AND

AFRICAN DEVELOPMENT FUND

(As Administrators of the Transition Support Facility)

FISCAL CONSOLIDATION SUPPORT PROGRAMME (FCSP)

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**PROTOCOL OF AGREEMENT
FISCAL CONSOLIDATION SUPPORT PROGRAMME (FCSP)**

PROGRAMME ID: P-SL-KA0-016

GRANT No.: 5900155015251

This PROTOCOL OF AGREEMENT (the "Agreement") is entered into this 29th day of April 2019, between the Republic of Sierra Leone (the "Recipient") on one hand and the AFRICAN DEVELOPMENT BANK (the "Bank") and the AFRICAN DEVELOPMENT FUND (the "Fund") (the Bank and the Fund are hereby collectively referred to as the "Fund") as administrators of the TRANSITION SUPPORT FACILITY (the "TSF") on the other hand.

WHEREAS:

- (A) The TSF was established by the Boards of Directors of the Bank and the Fund on 28 March 2008 to provide assistance to Regional Member Countries in transition and through the TSF Supplemental Support Window (Pillar I), provides resources that are supplemental to a Regional Member Country's performance-based allocation by the Fund;
- (B) The Recipient has requested the Fund acting as Administrator of TSF, to assist in the financing of the Fiscal Consolidation Support Programme (FCSP) as further described in Schedule I (A) (*Programme Purpose and Objectives*) of this Agreement (the "Programme") and the Fund, acting in such capacity, has agreed to extend a grant to the Recipient from the TSF Pillar I resources, in the amount specified in Section 2.01 (*Amount*) of this Agreement on the terms and conditions set forth or referred to in this Agreement;
- (C) The Recipient's Ministry of Finance shall be the Executing Agency for the Programme;
- (D) The Recipient has declared its commitment to the execution of the Programme; and
- (E) The Fund has agreed to provide the grant on the basis, inter alia of the Prior Actions which the Recipient has already taken under the Programme and which are further described in Schedule 1(B) (*Prior Actions before Presentation to the Fund's Board of Directors*) to this Agreement.

NOW THEREFORE, the parties hereto hereby agree as follows:

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ARTICLE I
GENERAL CONDITIONS-DEFINITIONS

Section 1.01. **General Conditions.** The *General Conditions Applicable to Protocols of Agreement for Grants of the African Development Fund dated February 2009* as amended from time to time (the "General Conditions") constitute an integral part of this Agreement.

Section 1.02. **Definitions.** Unless the context otherwise requires, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in Schedule III (*Definitions*) to this Agreement.

Section 1.03. **Schedules.** The Schedules to this Agreement form an integral part of this Agreement and shall have effect as if set out in full herein.

ARTICLE II
THE GRANT

Section 2.01. **Amount.** The Fund agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant of an amount not exceeding the equivalent of Fifteen Million Units of Account (UA 15,000,000) (the "Grant"), to finance part of the 2019 budget deficit of the Recipient.

ARTICLE III
ENTRY INTO FORCE AND DISBURSEMENT

Section 3.01. **Entry into Force.** This Agreement shall enter into force on the Date of the Protocol of Agreement.

Section 3.02. **Disbursement.** The proceeds of the Grant shall be disbursed to the Recipient subject to the provisions of: (a) Article IV (*Disbursement of the Grant*) of the General Conditions; (b) the Disbursement Handbook; (c) the Disbursement Letter; (d) Article III (*Entry into Force and Disbursement*) of this Agreement; and (e) such additional instructions as the Fund may specify by notice to the Recipient.

Section 3.03. **Disbursement Tranche.** Subject to Section 3.04 (*Conditions Precedent to Disbursement of the Single Tranche*) of this Agreement, the Grant shall be disbursed to the Recipient in a single tranche.

Section 3.04. **Condition Precedent to Disbursement of the Single Tranche.** In addition to the provisions of Section 3.01 (*Entry into Force*) of this Agreement, the obligation of the Fund to make the disbursement of the single tranche of the Grant shall be subject to the satisfaction of the following condition by the Recipient:

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- (a) Submission of evidence of the opening of a USD denominated account (the "Special Account") at the Bank of Sierra Leone ("BSL") for the deposit of the proceeds of the Grant for onward transfer into the Consolidated Revenue Fund at the BSL, in form and substance satisfactory to the Fund.

Section 3.05. Non-Eligible Expenditures. The Recipient undertakes that the proceeds of the Grant shall not be used to finance any of the items listed in Schedule II (*Negative List*) to this Agreement. If the Fund determines that at any time an amount of the Grant was used to make a payment for a Non-Eligible Expenditure, the Recipient shall, promptly, upon notice from the Fund, refund an amount equal to the amount of such payment to the Fund. Amounts refunded to the Fund upon such request shall be cancelled.

Section 3.06. Closing Date. For purposes of Section 5.03 (*Cancellation by the Fund*) of the General Conditions, the Closing Date shall be **28 February 2021**, or such later date as shall be agreed upon in writing between the Recipient and the Fund.

ARTICLE IV UNDERTAKINGS

Section 4.01. The Recipient declares its commitment to the objectives of the Programme. To this end, the Recipient shall carry out the Programme, and shall cause the Executing Agency, to carry out the Programme, in accordance with the provisions of Article VII (*Project Implementation - Cooperation and Information*) of the General Conditions and this Agreement.

ARTICLE V ADDITIONAL REMEDIES OF THE FUND

Section 5.01. Other Events of Suspension. For the purpose of Section 5.02 (1) (i) (*Other Events of Suspension*) of the General Conditions, the other events of suspension of the Grant consist of any circumstance arising which in the opinion of the Fund interferes with or threatens to interfere with the successful completion of the Programme or the accomplishment of its purposes.

Section 5.02. Other Events of Cancellation. In addition, to the events in Section 5.03 (*Cancellation by the Fund*) of the General Conditions, the other events of cancellation of the Grant consist of any event specified in Section 5.01 (*Other Events of Suspension*) of this Agreement which has occurred and is continuing for a period of thirty (30) days after notice of the event has been given by the Fund to the Recipient or such later date as shall be agreed upon in writing between the Recipient and the Fund.

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ARTICLE VI
PROGRAMME REPORTING

Section 6.01. **Completion Report.** The Recipient shall prepare and submit to the Fund a Completion Report, pursuant to Section 7.08 (*Completion Report*) of the General Conditions, not later than six (6) months after the end of the Programme.

ARTICLE VII
FINANCIAL MANAGEMENT

Section 7.01. **Internal Control.** The Recipient shall maintain or cause to be maintained proper records and procedures in accordance with the provisions of Section 7.07 (*Accounts, Records and Audit*) of the General Conditions, as applicable.

Section 7.02. **Financial Audit.**

- (a) The Recipient shall cause the Ministry of Finance to be responsible for the financial management of the Program. The use of the funds which will contribute to covering the financial gap for the fiscal year 2019 shall be compliant with the institutional, legal and regulatory frameworks of the Borrower's public financial management systems.
- (b) The Recipient shall submit to the Fund, the audit report on the Consolidated Revenue Fund (CRF) of Sierra Leone for 2019 and thereafter, for each year of the Program, following approval of the audit report by the Parliament, but in any case not later than six (6) months after the end of the fiscal year audited.
- (c) The Recipient shall cause the Audit Service of Sierra Leone to conduct an audit of the flow of funds of the Program from the USD denominated account (the "Special Account") at the Bank of Sierra Leone (BSL) to the CRF at the BSL in accordance with terms of reference approved by the Fund. The audit report will be submitted to the Fund no later than six (6) months after the end of the fiscal year during which the disbursement occurs.

ARTICLE VIII
AUTHORIZED REPRESENTATIVES, DATE, ADDRESSES

Section 8.01. **Authorized Representatives.** The Minister of Finance or such other person as the Minister of Finance may designate in writing shall be the authorized representative for the purposes of Article IX (*Miscellaneous Provisions*) of the General Conditions.

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Section 8.02. **Date of the Protocol of Agreement.** For all purposes of this Agreement, the date thereof shall be that appearing in the preamble hereof.

Section 8.03. **Addresses.** The following addresses are specified for the purposes of Article IX (*Miscellaneous Provisions*) of the General Conditions:

For the Recipient:

Mail Address:

Ministry of Finance
Treasury Building George Street
Freetown
REPUBLIC OF SIERRA LEONE
Tel: (232) 76 61 12 25
E-mail: info@mofed.gov.sl

Attention:

Minister of Finance

For the Fund:

Headquarters Mail Address:

African Development Fund
01 B.P. 1387
Abidjan 01
REPUBLIC OF COTE D'IVOIRE
Tel: (225) 20.26.44.44

Attention:

Director General
West Africa Regional Development and
Business Delivery Office

Country Office Mail Address:

African Development Bank Group
13 Lamina Sankoh Street
5th & 6th Floors, Bishop Building
Freetown
REPUBLIC OF SIERRA LEONE

Attention:

Country Manager
Sierra Leone Country Office

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IN WITNESS WHEREOF the Recipient and the Fund, each acting through its authorized representative, have signed this Agreement in two (2) original counterparts in English on the date appearing in the opening sentence of this Agreement.

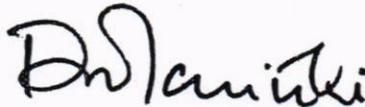
FOR THE REPUBLIC OF SIERRA LEONE



JACOB JUSU SAFFA
MINISTER OF FINANCE

**FOR AFRICAN DEVELOPMENT BANK
AND
AFRICAN DEVELOPMENT FUND**
(As Administrators of the Transition Support Facility)

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PENINAH KARIUKI
COUNTRY MANAGER
SIERRA LEONE COUNTRY OFFICE

SCHEDULE I
PROGRAMME DESCRIPTION

(A) **Programme Purpose and Objectives**

- (i) **Purpose:** This is a general budget support grant.
- (ii) **Objectives:** The overarching goal of the Programme is to spur fiscal consolidation in Sierra Leone through increased resource mobilization, pro-poor budget allocation (especially for basic and secondary schools, and girls education) and strengthened budget execution oversight. The objectives of the Programme include improving revenue collection and enhancing the efficiency and transparency of public expenditure.

The Programme constitutes the first phase of the Programme, and consists of the following parts:

(a) **Component I: Improving Revenue Mobilization and Debt Management**

This component comprises of the following activities: (i) adoption of the Extractive Industries Revenue Act; (ii) operationalization of the Revenue Mobilization Strategy in 2019 through the: (A) adoption of an Implementation Action Plan; and (B) establishment of the Technical Task Force; and (iii) development of a Strategy to avoid the accumulation of new domestic arrears and a medium term settlement plan in 2018. The expected outcomes of this component are improved revenue mobilization and improved debt management.

(b) **Component II: Strengthening Public Expenditure Management Efficiency and Transparency**

The reforms to be supported in this component include: (i) operationalization of the wage bill management strategy; (ii) increasing of budget allocation to basic and secondary education (including support to girls' education; (iii) improving public procurement system and practices; and (iv) strengthening budget oversight. The main outcomes expected from implementing this component are improved budget allocation and execution and increased transparency in public financial management.

(iii) **Outcomes:** The expected outcomes of the Programme are as follows:

- (a) Increased revenue mobilization;
- (b) Improved debt management; and

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- (c) Improved alignment of budget allocation with Government priority spending.

(B) Prior Actions before Presentation to the Fund's Board of Directors

The prior actions taken by the Recipient under the Programme are summarized in the table below:

S/N	Policy Measures	Required Evidence
1	Adoption of the Extractive Industries Revenue Act (EIRA).	Submission of the Letter from the Ministry of Finance (MoF) transmitting to the Bank a copy of the Extractive Industries Revenue Act, 2018.
2	Operationalization of the Revenue Mobilization Strategy through: (a) adoption of Implementation Action Plan; and (b) establishment of the Technical Task Force.	Letter from the MoF transmitting a copy of the Revenue Mobilization Strategy Work Plan and confirming the establishment of the Technical Task Force as well as listing the names of its members.
3	Increase budget allocated to basic education by 20%.	Letter from the MoF transmitting to the Bank a copy of the Supplementary Government Budget and Statement of Financial Policies for Financial Year 2018.
4	Adoption of the strategy to avoid accumulation of new domestic arrears and a medium-term settlement plan.	Letter of the MoF transmitting to the Bank a copy of the Strategy Notes on the Treatment of Domestic Suppliers and Contractor Arrears.
5	Submission of 2016 and 2017 Auditor General's Reports on the Public accounts to Parliament for approval.	A copy of the letter from the Auditor General to the Clerk of Parliament submitting the 2016 and 2017 Auditor General's Reports on the Public accounts to the Parliament for approval.
6	Appointment of the independent procurement jury panel in charge of complaints/disputes.	Letter from the Ministry of Finance confirming the appointment of the independent procurement jury panel members.

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SCHEDULE II
NEGATIVE LIST

1. Production of, or trade in, any product or activity deemed illegal under host country laws or regulations or international conventions and agreements.
2. Production of, or trade in, radioactive materials, with the exception of medical materials and quality-control equipment for which the Fund considers the radioactive source to be trivial and adequately shielded.
3. Production of, or trade in, or use of, unbonded asbestos fibres or other products with bonded asbestos as dominant material.
4. Production of, or trade in, pharmaceuticals, chemical compounds and other harmful substances subject to international phase-outs or bans, including pesticides classified by the World Health Organization as Class Ia (extremely hazardous), Ib (highly hazardous) or II (moderately hazardous).
5. Production of, or trade in, ozone-depleting substances subject to international phase out.
6. Trade in wildlife or wildlife products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora.
7. Purchase of logging equipment for use in unmanaged primary tropical rainforests.
8. Production or activities involving harmful or exploitative forms of forced labour¹ and/or harmful child labour² as defined by national regulations and international standards.
9. Goods and services supplied under a contract which any national or international financing institution or agency other than the Fund has financed or agreed to finance, or which the Fund has financed or agreed to finance under another grant or loan.
10. Goods intended for military and/or paramilitary purposes.

¹ Forced labour means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty.

² Harmful child labour means the employment of children that is economically exploitive, or is likely to be hazardous to, or to interfere with, the child's education, or to be harmful to the child's health, or physical, mental, spiritual, moral, or social development.

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11. Alcoholic beverages.
12. Un-manufactured tobacco, tobacco refuse, manufactured tobacco (whether or not containing tobacco substitutes) and tobacco processing machinery.
13. Platinum, pearls, precious and semi-precious stones, silver, gold and related products.
14. Nuclear reactors and parts thereof, non-irradiated fuel elements (cartridges) for nuclear reactors.
15. Goods for luxury consumption.

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SCHEDULE III
DEFINITIONS

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1. **"Completion Report"** means a comprehensive report on inter alia, the execution and the initial operation of the Programme, including the costs and benefits derived and to be derived therefrom, the performance by the Recipient and the Fund of their respective obligations under the Agreement, the accomplishment of the purposes of the Grant and the plan designed to ensure the sustainability of the Programme achievements, amongst others to be prepared and submitted by the Recipient to the Fund in accordance with the terms of this Agreement.
 2. **"Disbursement Handbook"** means the Disbursement Handbook of the African Development Bank Group dated 22 July 2015 setting out the disbursement policies, guidelines, practices, and procedures of the Bank Group as the same may be amended from time to time.
 3. **"Non-Eligible Expenditures"** means expenditure determined as non-eligible for Bank Group financing under the Policy on Expenditure Eligible for Bank Group Financing dated March 2008 as amended from time to time as well as expenditure for goods or services contained on the Negative List attached as Schedule II (*Negative List*) to this Agreement.
 4. **"Prior Actions"** means the action which are to be fulfilled as conditions prior to the consideration and approval of the Grant by the Board of Directors of the Fund as stated in the table in Schedule I (B) (*Prior Actions before Presentation to the Fund's Board of Directors*) to this Agreement.
 5. **"Programme Report"** means the report prepared by the Recipient pursuant to this Agreement containing Programme Information that includes amongst others, sources and uses of funds including those committed, with the corresponding budgets, progress on Programme implementation made in the achievement of the results together with other supporting schedules and highlighting issues that require attention.
 6. **"Units of Account"** has the meaning given in the Agreement establishing the Fund.

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