

Public Disclosure Authorized

CONFORMED COPY

GRANT NUMBER H662-SL

Financing Agreement

(Financial Sector Development Plan Support Project)

between

REPUBLIC OF SIERRA LEONE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated April 19, 2011

Public Disclosure Authorized



GRANT NUMBER H662 -SL

FINANCING AGREEMENT

AGREEMENT dated April 19, 2011, entered into between REPUBLIC OF SIERRA LEONE (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

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

ARTICLE II — FINANCING

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equivalent to two million six hundred thousand Special Drawing Rights (SDR 2,600,000) (“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 Payment Dates are March 15 and September 15 in each year.
- 2.05. The Payment Currency is Dollar.

ARTICLE III — PROJECT

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

ARTICLE IV — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Events of Suspension consist of the following:
- (a) A situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.
 - (b) the Project Implementing Entity's Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of Bank of Sierra Leone to perform any of its obligations under this Agreement and the Project Agreement.
- 4.02. The Additional Event of Acceleration consists of the following, namely, that the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of sixty (60) days after notice of the event has been given by the Association to the Recipient.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Conditions of Effectiveness consist of the following:
- (a) the Subsidiary Agreement has been executed on behalf of the Recipient and the Project Implementing Entity;
 - (b) the Recipient has caused the Project Implementing Entity to prepare and adopt, in form and substance satisfactory to the Association, the Project Implementation Manual; and
 - (c) the Recipient has caused the Project Implementing Entity to recruit to the latter's accounting department, a financial management specialist in accordance with Section III.C of Schedule 2 to this Agreement.
- 5.02. The Additional Legal Matter consists of the following, namely, that the Subsidiary Agreement has been duly authorized or ratified by the Recipient and

the Bank of Sierra Leone and is legally binding upon the Recipient and the Bank of Sierra Leone in accordance with its terms.

- 5.03. 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:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI)	1-202-477-6391

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

REPUBLIC OF SIERRA LEONE

By: /s/ Samura Kamara

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: /s/ Ishac Diwan

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to strengthen the capacity of the Bank of Sierra Leone and contribute to improving efficiency in financial intermediation, safeguarding financial sector stability, reducing transaction costs of money transfer and expanding access to financial services.

The Project consists of the following parts:

Part A. Enhancing Access to Financial Services

Carrying out a program of activities to improve efficiency in financial intermediation, reduce transaction costs of money transfer and expand access to financial services including:

1. (a) Supporting development of: (i) a basic bad debtor database operated by the Bank of Sierra Leone; and (ii) a comprehensive credit information bureau; and (b) Strengthening the Bank of Sierra Leone's oversight capacity, all through provision of technical advisory services and acquisition of goods.
2. Supporting implementation of the payment systems and remittances policy framework, in particular: (a) preparation of payment systems regulations and policies; (b) preparation of mobile payment regulations; (c) preparing a remittances policy framework; and (d) strengthening the Bank of Sierra Leone's capacity for oversight and supervision, all through provision of technical advisory services, training and acquisition of goods.
3. Provision of technical advisory services for developing micro, small and medium enterprises/value chain finance capacity of commercial banks including: (a) carrying out an analysis of product development needs, and an analysis of constraints on an enabling environment for supporting MSME finance and agricultural finance; (b) developing sector policies and supporting dialogue on enhancing access to financial services (secured lending, leasing, value chain finance), in cooperation with selected commercial banks; (c) preparing secured lending laws and regulations; and (d) strengthening related technical capacities of selected commercial banks.

Part B. Building Financial Sector Reform and Oversight Capacity of the Bank of Sierra Leone

Strengthening the technical and institutional capacity of the Bank of Sierra Leone for implementing the Financial Sector Development Plan and supervision of the financial sector including:

1. Supporting financial sector legal reforms in particular: (a) Reviewing and proposing amendments to the Other Financial Services (Amendment) Act, the Banking Act, and the Bank of Sierra Leone Act and preparing draft microfinance legislation (“Financial Sector Legislation”); (b) supporting implementation of Financial Sector Legislation; and (c) strengthening the capacity of Bank of Sierra Leone’s legal department, all through provision of technical advisory services, training, operating costs and acquisition of goods.
2. Supporting implementation of Bank of Sierra Leone’s Institutional Development Plan, including: (a) reviewing human resource policies and practices and preparing a new human resources policy; (b) supporting the staff development program, in particular, carrying out an assessment of staff capacity skills and needs, and preparation of a staff capacity development plan; (c) developing a broad-based training program for Bank of Sierra Leone’s staff; (d) reviewing and reengineering both functional and business processes; (e) reviewing and developing an information technology strategy and implementation plan; (f) implementing the AML/CFT framework; and (g) designing and implementing efficient supervisory processes including supervision of the microfinance sector, all through provision of technical advisory services, training, operating costs and acquisition of goods.
3. Strengthening the technical, institutional, fiduciary (financial management and procurement), monitoring, evaluation, and Project management capacity of the FSDP Secretariat, all through provision of technical advisory services, training, operating costs and acquisition of goods.
4. Provision of technical advisory services to support Bank of Sierra Leone (including the FSDP Secretariat) in the preparation of financial sector development strategies, including the microfinance policy framework and long-term finance.

SCHEDULE 2

Project Execution

Section I. Institutional and Implementation Arrangements

A. Institutional Arrangements

Project Implementing Entity

The Recipient shall ensure that the Project is carried out under the coordination and oversight of the Bank of Sierra Leone, in accordance with the provisions of this Agreement, the Project Agreement and the Project Implementation Manual.

B. Implementation Arrangements

1. Subsidiary Agreement

- (a) To facilitate the carrying out of the Project, the Recipient, through its Ministry of Finance and Economic Development (MOFED) shall make the proceeds of the Financing available to the Project Implementing Entity on a grant basis, under a subsidiary agreement between the Recipient and the Bank of Sierra Leone and under terms and conditions acceptable to the Association (“Subsidiary Agreement”).
- (b) The Recipient, through MOFED, shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

2. Project Implementation Manual

- (a) The Recipient shall, through the Project Implementing Entity, prepare and adopt a manual in form and substance satisfactory to the Association (“Project Implementation Manual”), providing details of arrangements and procedures for the implementation of the Project, including: (a) capacity building activities for sustained achievement of the Project’s objective; (b) disbursement and financial management; (c) institutional administration, coordination and day-to-day execution of activities of the Project; (d) monitoring, evaluation, reporting, information, education and communication; (e) procurement; and (f) such other administrative, financial, technical and organizational arrangements and procedures as shall be required for the Project.
- (b) The Recipient shall, through the Project Implementing Entity, ensure that the Project is carried out in accordance with the Project Implementation Manual

provided, however, that in case of any conflict between the provisions of the Project Implementation Manual and those of this Agreement, this Agreement shall prevail.

- (c) Except as the Association shall otherwise agree, the Recipient shall not amend, abrogate or waive any provision of the Project Implementation Manual if, in the opinion of the Association, such amendment or waiver may materially and adversely affect the implementation of the Project.

C. Annual Work Plan and Budget

1. The Recipient shall, through the Project Implementing Entity, prepare and furnish to the Association for review and approval, not later than December 1 in each calendar year during the implementation of the Project, a proposed annual work plan and budget containing all activities proposed to be carried out under the Project in the forthcoming Fiscal Year.
2. Each such proposed annual work plan and budget shall specify among the activities, any training activities that may be required under the Project, including: (a) the type of training; (b) the purpose of the training; (c) the personnel to be trained; (d) the institution or individual who will conduct the training; (e) the location and duration of the training; (f) the cost of the training; and (g) the expected outcome and impact of the training.
3. The Recipient shall, through the Project Implementing Entity, afford the Association a reasonable opportunity to exchange views with the Recipient on each such proposed annual work plan and budget, and thereafter to implement the Project or cause it to be implemented with due diligence in accordance with such annual work plan and budget as shall have been approved by the Association (“Annual Work Plan and Budget”).

D. Anti-Corruption

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

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient shall cause the Project Implementing Entity to 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 quarter, and shall be furnished to the Association not later than forty five (45) days after the end of the period covered by such report.

2. Not later than one month prior to the mid-term review, the Recipient, through the Project Implementing Entity, shall furnish to the Association for comments, a report, in such detail as the Association shall reasonably request, on the progress of the Project, and giving details of the various matters to be discussed at such review.
3. Not later than thirty (30) months after the Effective Date, the Recipient shall undertake in conjunction with the Association and the Project Implementation Entity, a comprehensive mid-term review of the Project during which it shall exchange views with the Association and the Project Implementation Entity generally on all matters relating to the progress of the Project, the performance by the Recipient and the Project Implementation Entity of their respective obligations under this Agreement and the Project Agreement, having regard to the performance indicators referred to in paragraph 1 immediately above.
4. Following the mid-term review, the Recipient shall act, and shall cause the Project Implementing Entity to act, promptly and diligently in order to take any corrective action deemed necessary to remedy any shortcoming noted in the implementation of the Project, or to implement such other measures as may be required in furtherance of the objectives of the Project or otherwise agreed upon between the parties.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall cause the Project Implementing Entity to maintain a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
2. The Recipient shall cause the Project Implementing Entity to prepare and furnish to the Association as part of the Project Report, 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 cause the Project Implementing Entity to 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, commencing with the Fiscal Year in which the first withdrawal was made under the Project. 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.

C. Specific Financial Management Covenant; Audit

For purposes of Part B.3 of this Section, the Recipient shall have an independent external auditor appointed, not later than four months after the Effective Date.

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 the Procurement Guidelines, or 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 of procurement, other than International Competitive Bidding, may be used for goods and non-consulting services: (a) National Competitive Bidding (*subject to the additional procedures in paragraph 3 below*); and (b) Shopping. The Procurement Plan shall specify the circumstances under which such methods may be used.
3. **National Competitive Bidding (NCB) procedures:** - The procedures to be followed for National Competitive Bidding shall be those set forth in the Public Procurement Act, subject to the following additional procedures:
 - (a) Procuring entities shall use appropriate standard bidding documents acceptable to the Association.
 - (b) The eligibility of bidders 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.

- (c) No restrictions in respect of eligibility to participate in bidding for contracts shall be placed on the basis of nationality of the bidder and/or the origin of goods other than those imposed by primary boycotts.
- (d) Foreign bidders shall be allowed to participate in NCB procedures.
- (e) No domestic preference shall be given for domestic bidders and/or for domestically manufactured goods.
- (f) 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.
- (g) Foreign firms shall not be required to associate with a local partner in order to bid as a joint venture, and joint venture or consortium partners shall be jointly and severally liable for their obligations.
- (h) Government-owned enterprises shall be eligible to participate in bidding only if they can establish that they are legally and financially autonomous, operate under commercial law and are not dependent agencies of the Recipient. Such enterprises shall be subject to the same bid and performance security requirements as other bidders.
- (i) Subject to these provisions, procurement shall be carried out in accordance with the "Open Competitive Bidding" procedures set forth in the Act.
- (j) Bidders shall be given at least thirty (30) days from the date of the invitation to bid or the date of availability of bidding documents, whichever is later, to prepare and submit bids.
- (k) Bids shall be submitted in a single envelope.
- (l) An extension of bid validity, if justified by exceptional circumstances, may be requested in writing from all bidders before the expiration date and for a minimum period required to complete the evaluation or award a contract, but not to exceed thirty (30) days. No further extensions shall be requested without the prior concurrence of the Association.
- (m) 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 concurrence.

- (n) Qualification criteria shall be applied on a pass or fail basis.
- (o) Bidders shall be given at least twenty-eight (28) days from the receipt of notification of award to submit performance securities.
- (p) Each bidding document and contract financed out of the proceeds of the Financing shall include provisions on matters pertaining to fraud and corruption as defined in paragraph 1.16(a) of the Procurement Guidelines. The Association will sanction a firm or an individual, at any time, in accordance with prevailing Association sanctions procedures, including by publicly declaring such firm or individual ineligible, either indefinitely or for a stated period of time: (i) to be awarded an Association-financed contract; and (ii) to be a nominated sub-contractor, consultant, manufacturer or supplier, or service provider of an otherwise eligible firm being awarded an Association-financed contract.
- (q) In accordance with paragraph 1.16(e) of the Procurement Guidelines, each bidding document and contract financed out of the proceeds of the Financing shall provide that: (i) the bidders, suppliers, contractors and subcontractors shall permit the Association, at its request, to inspect their accounts and records relating to the bid submission and performance of the contract, and to have said accounts and records audited by auditors appointed by the Association; and (ii) the deliberate and material violation by the bidder, supplier, contractor or subcontractor of such provision may amount to an obstructive practice as defined in paragraph 1.16(a)(v) of the Procurement Guidelines.
- (r) The Association may recognize, if requested by the Borrower, exclusion from participation as a result of debarment under the national system, provided that the debarment is for offenses involving fraud, corruption or similar misconduct, and further provided that the Association confirms that the particular debarment procedure afforded due process and the debarment decision is final.

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 of procurement, other than Quality and Cost-based Selection, may be used for consultants' services: (a) Selection based on Consultants' Qualifications; (b) Least Cost Selection; (c) Fixed Budget Selection; (d) Quality Based Selection; (e) Procedures of Selection of Individual Consultants; and (f) Single

Source Selection Procedures. The Procurement Plan shall specify the circumstances under which such methods may be used.

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 Grant Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, Non-Consulting services, Consultants’ Services, Training, and Operating Costs for the Project.	2,600,000	100%
TOTAL AMOUNT	2,600,000	

For the purpose of this paragraph A.2:

- (a) the term “Training” means the costs associated with the training, workshop and study tour participation of personnel involved in Project activities as specified in the Annual Work Plan and Budget approved by the Association pursuant to

Section I.C of Schedule 2 to this Agreement, for reasonable expenditures (other than expenditures for consultants' services), including travel and subsistence costs for training, workshop and study tour participants, costs associated with securing the services of trainers, rental of training and workshop facilities, preparation and reproduction of training and workshop materials, and other costs directly related to training course, workshop or study tour preparation and implementation.

- (b) the term "Operating Costs" means the incremental expenses arising under the Project, and based on the Annual Work Plan and Budget approved by the Association pursuant to Section I.C 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, banking charges, advertising expenses, travel and *per diem*, but excluding the salaries of the Recipient's civil service.
- (c) the term "Non-Consulting Services" means services for which the physical aspects of the activity predominate, are bid and contracted on the basis of performance of a measurable physical output, and for which performance standards can be clearly identified and consistently applied.

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed one hundred thousand United States Dollars (US\$100,000) equivalent may be made for payments made prior to this date but on or after March 1, 2011 for Eligible Expenditures.
2. The Closing Date is December 31, 2015.

APPENDIX**Section I. Definitions**

1. “Annual Work Plan and Budget” means the plan and budget referred to in Section I.C of Schedule 2 to this Agreement.
2. “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.
3. “Banking Act” means the Banking Act Number 10 of 2000 of the laws of the Recipient.
4. “Bank of Sierra Leone” means the Recipient’s central bank established and operating pursuant to the Bank of Sierra Leone Act Number 3 of 2000 of the laws of the Recipient.
5. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
6. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” published by the Bank in January 2011.
7. “FSDP Secretariat” means the financial sector development plan secretariat within the Bank of Sierra Leone established and operating pursuant to the Financial Sector Development Plan.
8. “Financial Sector Development Plan” means the plan designed by the Recipient to provide a framework for creating a sound, diversified, responsive and well-functioning financial system entitled “The Republic of Sierra Leone Financial Sector Development Plan” dated October 31, 2009.
9. “Fiscal Year” means the Recipient’s fiscal year beginning on January 1 in any one calendar year and ending on December 31 in the same calendar year.
10. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010.
11. “Institutional Development Plan” means the document entitled “Bank of Sierra Leone Institutional Development Plan” dated July 2010.
12. “MOFED” means the Recipient’s Ministry of Finance and Economic Development or any successor thereto.

13. “Other Financial Services (Amendment) Act” means the Other Financial Services (Amendment) Act Number 4 of 2007 of the laws of the Recipient.
14. “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” published by the Bank in January 2011.
15. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated March 4, 2011 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
16. “Program” means the Recipient’s Financial Sector Development Plan dated October 31, 2009.
17. “Project Implementing Entity” means the Bank of Sierra Leone.
18. “Project Implementing Entity’s Legislation” means the Bank of Sierra Leone Act Number 3 of 2000 of the laws of the Recipient, as amended from time to time.
19. “Project Implementation Manual” means the Recipient’s manual, in form and substance satisfactory to the Association and referred to in Section 5.01(b) and Section I.B.2 of Schedule 2 to this Agreement, as the same may be amended from time to time with agreement of the Association.
20. “Public Procurement Act” means the Public Procurement Act Number 14 of 2004 of the laws of the Recipient.
21. “Subsidiary Agreement” means the agreement referred to in Section I.B.1 of Schedule 2 to this Agreement pursuant to which the Recipient shall make the proceeds of the Financing available to the Project Implementing Entity.