
GRANT NUMBER E2050-SL

Financing Agreement

(Sierra Leone Second Financial Inclusion Project)

between

REPUBLIC OF SIERRA LEONE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

GRANT NUMBER E2050-SL

FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between REPUBLIC OF SIERRA LEONE (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of assisting in financing the project described in Schedule 1 to this Agreement (“Project”). 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) apply to and form 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 a grant, which is deemed as Concessional Financing for purposes of the General Conditions, in an amount equivalent to twenty nine million seven hundred thousand Special Drawing Rights (SDR 29,700,000) (“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 III of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance.
- 2.04. The Payment Dates are June 15 and December 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. To this end, the Recipient shall cause the Project to be carried out by the Bank of Sierra Leone (“BSL” or “Project Implementing Entity”) in accordance with the provisions of Article V of the General Conditions, Schedule 2 to this Agreement and the Project Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Event of Suspension consists of the following, namely, that the Bank of Sierra Leone Act (Project Implementing Entity’s Legislation) has been amended, suspended, abrogated, repealed, or waived so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under the Project Agreement.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Conditions of Effectiveness consist of the following:
- (a) the Recipient has caused the Project Implementing Entity to update and adopt the Project Implementation Manual, in form and substance satisfactory to the Association.
 - (b) the Recipient has caused the Project Implementing Entity to appoint to the Project Management Unit, a procurement specialist, and an environmental and social specialist (with experience in SEA/SH risks management and consultation/engagement), all with experience, terms of reference and resources satisfactory to the Association.
 - (c) the Subsidiary Agreement, acceptable to the Association, shall have been duly updated, executed, and delivered on behalf of the Recipient and the Project Implementing Entity and shall have become effective and binding upon such parties in accordance with its terms.
- 5.02. The Effectiveness Deadline is the date one hundred and twenty (120) days after the Signature Date.
- 5.03. For purposes of Section 10.05 (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 Signature Date.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient's Representative is the minister responsible for finance.

6.02. For purposes of Section 11.01 of the General Conditions:

(a) the Recipient's address is:

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

(b) the Recipient's Electronic Address is:

E-mail: minister@mof.gov.sl

6.03. For purposes of Section 11.01 of the General Conditions:

(a) The Association's address is:

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

(b) the Association's Electronic Address is:

Telex:	Facsimile:
248423 (MCI)	1-202-477-6391

AGREED as of the Signature Date.

REPUBLIC OF SIERRA LEONE

By

Hon. Sheku A.F. Bangura

Authorized Representative

Name: _____
Hon. Sheku A.F. Bangura

Title: _____
Minister of Finance

Date: _____
29-Jun-2023

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Abdu Muwonge

Authorized Representative

Name: _____
Abdu Muwonge

Title: _____
Country Manager

Date: _____
09-Jun-2023

SCHEDULE 1

Project Description

The objective of the Project is to promote a more inclusive and resilient financial sector for individuals and micro, small and medium sized enterprises (MSMEs).

Part A. Adoption and usage of Transaction Accounts

Facilitating the adoption and usage of basic transaction accounts at a formal financial institution or mobile money provider, in particular:

1. Enhancing access points for digital payments, including:
 - (a) Point of sale terminals (physical and digital devices payments), mobile wallets, and other digital financial access points that facilitate government and other payments, including: (i) assisting financial institutions to set up a network of agents that can manage cash-in-cash-out transactions to support government transfers or remittances; (ii) making payments for utilities or bank loans; and (iii) carrying out a feasibility study to identify models, costs, legal and regulatory issues, financing modalities, and the outline of a communications strategy to enable efficient agent banking network development.
 - (b) Provision of Matching Grants to eligible financial institutions based on eligible proposals for agent network expansions to small towns and rural operations (Proposals).
 - (c) Provision of technical assistance to support the: (i) adoption of measures towards expansion of access points and acceptance infrastructure for digital financial services, including QR codes; and (ii) use of the national payments system for government-to-person payments and receipts, and the integration of the Ministry of Finance's Integrated Financial Management System to Bank of Sierra Leone's Electronic Funds Transfer System and the instant payments switch.
2. Developing national payments system infrastructure, including required upgrades or replacements of: (a) real time gross settlements (RTGS), automated cheque processing (ACP)/automated clearing house (ACH) to comply with the developments and international standards, including provision of technical assistance to carry out an assessment of existing systems and infrastructure, and to support increased usage and viability of both RTGS, ACP and ACH systems; and (b) shared infrastructure and core banking systems for eligible micro-finance institutions (MFIs), selected through an expression of interest.

3. Developing an enabling environment for increased adoption and usage of transaction accounts, and strengthening the institutional and technical capacity of the Project Implementing Entity (the BSL) to carry out its role and responsibilities under the National Payments Systems Act (NPS Act), including: (a) developing the regulatory framework for carrying out specific functions under NPS Act, and the National Strategy for Financial Inclusion; (b) building the capacity of BSL staff for oversight, agency banking, financial consumer protection regulation, and market conduct, consistent with the Project Implementing Entity's responsibility under the NPS Act, and the National Strategy for Financial Inclusion; (c) implementing key recommendations to address existing cybersecurity gaps; and (d) operationalizing mechanisms for fraud monitoring by payment service providers and for the central payments infrastructure, including training, drafting of rules and regulations and reporting to the BSL.

Part B. Increasing Access to Credit for MSMEs

Facilitating sustainable access to innovative affordable credit for MSME's targeting women-led businesses, and those at risk from climate change, in particular:

1. Enhancing the supply of affordable and innovative financial services for MSMEs, including:
 - (a) Provision of a revolving line of credit ("Line of Credit" or "LOC") for MSMEs through a financial consulting firm housed within the BSL (the "LOC Manager"), for: (i) to accelerate economic recovery of MSMEs in financial distress due to prolonged exogenous shocks; and (ii) continuing business and operation of eligible MSMEs, leveraging the network of financial intermediaries ("Participating Financial Institutions" or "PFIs") retail lending to eligible MSMEs.
 - (b) Provision of technical assistance to eligible PFIs to design a menu of appropriate loan products, and other innovative climate adaptation and climate mitigation/resilience loan products, and products that will increase access to finance for women-led MSMEs.
2. Enhancing the supervisory capacity of the financial sector regulators such as the BSL's Other Financial Institutions Supervision Department (OFISD), Banking Supervision Department, and the Apex Bank, and upgrading the manual monitoring system(s) of BSL's OFISD.
3. (a) Enabling a modern credit infrastructure, including provision of technical assistance, *inter alia*, on: (i) adopting a well-coordinated and competitive tendering process for the selection of a competent operator of the BSL-owned credit reference system; (ii) roll out of effective credit reference

system and value adding credit scoring data analytics solutions to facilitate specialized financing – gender, climate and agri-financing; and (iii) credit reference system capacity building and awareness creation among stakeholders.

- (b) Supporting ICT-enabled infrastructure and system for the deployment of a robust, electronic credit reference system, including user acceptance testing and fixes, and integrating functionality to track movable collateral.

Part C. Project Management, Monitoring and Evaluation

Strengthening the institutional and technical capacity for Project management, monitoring and evaluation, including:

1. Strengthening the capacity of BSL, MoF, FIU, the Apex Bank, SMEDA, and relevant ministries, departments, and agencies (MDAs) for the coordination, design, and implementation of the Project.
2. Building the capacity of the Project Implementation Unit for Project management, administrative, technical, coordination, fiduciary (*i.e.*, financial management and procurement) aspects (including the Line of Credit), environment and social management aspects, including environmental and social monitoring, monitoring and evaluation mechanism of the project's results and impact, handling of Personal Data, development of communication activities to publicize and disseminate project results, best practices, and success stories, and Project grievance redress mechanism.

Part D. Contingent Emergency Response Component

Provision of immediate response to an Eligible Crisis or Emergency, as needed.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. Project Implementation Unit

- (a) The Recipient shall cause the Project Implementing Entity to maintain the Project Implementation Unit (PIU) with adequate resources, comprising a Project coordinator, a procurement specialist, a financial management specialist, an environmental and social specialist, and a monitoring and evaluation specialist), all with experience, qualifications, and terms of reference satisfactory to the Association.
- (b) Without limitation to the provisions of sub-paragraph 2(a) immediately above, the PIU shall be responsible for: (i) coordinating Project activities, providing technical advice and guidance, developing the Annual Work Plans and Budgets (including annual operational plans) for the project, preparing budgets, periodic progress reports and procurement plans, procurement, financial management, and internal audit under the Project; (ii) maintaining a financial management system and preparing 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 Project; (iii) having such financial statements audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the statements as so audited to the Recipient and the Association; and (iv) preparing and submitting withdrawal application to the Association and operating the designated account for the Project, all in accordance with the provisions of this Agreement and of the PIM.

2. Project Steering Committee

- (a) The Recipient shall maintain throughout the implementation of the Project, a Project Steering Committee (PSC) with terms of reference, functions, resources, and a mandate, satisfactory to the Association. Said Project Steering Committee shall among other member, include representatives of BSL, a representative of the private sector, and other key stakeholders.

- (b) The PSC shall be responsible for providing policy guidance and:
 - (i) approving annual work plan and budgets; (ii) approving annual procurement plan; and (iii) reviewing progress of implementation of the work plan and other critical aspects of project performance.

B. Subsidiary Agreement

- 1. To facilitate the carrying out of the Project, the Recipient shall make part of the proceeds of the Grant allocated from time to time under the table set forth in Section III.1 of this Schedule available to the Project Implementing Entity as a grant under a subsidiary agreement between the Recipient and the Project Implementing Entity, under terms and conditions acceptable to the Association. (“Subsidiary Agreement”).
- 2. The Recipient 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 Grant. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate, or waive the Subsidiary Agreement or any of its provisions.

C. Project Implementation Manual (PIM)

- 1. The Recipient shall cause the Project Implementing Entity to carry out the Project in accordance with a manual (the Project Implementation Manual), in form and substance satisfactory to the Association.
- 2. The Project Implementation Manual shall include, *inter alia*, the following provisions: (a) disbursement arrangements, reporting requirements, financial management procedures and audits; (b) Procurement arrangements; (c) institutional administration, coordination and day-to-day execution of activities of the Project; (d) monitoring, evaluation, reporting and communication; (e) Project impact and implementation indicators, including the procedures for monitoring and evaluation of the Project; (f) corruption and fraud prevention measures; (g) roles and responsibilities of various agencies and stakeholders in the implementation of the Project; (h) Personal Data collection and processing requirements in accordance with good international practice; (i) environmental and social framework aspect, including a detailed description of the grievance redress mechanism process as well as any process for recording and reporting project-related accidents and incidents; and (j) such other administrative, financial, technical and organizational arrangements and procedures as shall be required for the Project.
- 3. Except as the Association shall otherwise agree in writing, the Recipient shall not amend, waive, suspend, or abrogate any provision of the PIM and in case of any

inconsistency between the provisions of the PIM and those of this Agreement, the provisions of this Agreement shall prevail.

D. Annual Work Plans and Budget

1. The Recipient shall cause the Project Implementing Entity to 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 therefor.
2. Each such proposed work plan and budget shall specify 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; and (f) the cost of the training.
3. The Recipient shall afford the Association a reasonable opportunity to exchange views with the Recipient and the Project Implementing Entity on each such proposed work plan and budget and shall 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”).
4. 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. Matching Grants Proposals

1. The Recipient shall cause the Project Implementing Entity, to ensure that each Proposal for a Matching Grant under Parts A.1(b) and A.4(b) of the Project is vetted, appraised, and approved in accordance the guidelines, standards and procedures set forth in the Matching Grants Manual. All such Proposals shall be approved by the Association, as part of the Annual Work Plans and Budget.
2. To facilitate implementation of activities under all such Proposals each eligible financial institution shall enter into a Matching Grant Agreement with the LOC Manager (acting on behalf of the Recipient and the Project Implementing Entity under the terms and conditions provided for in the Matching Grants Manual, including: (i) the obligations of the eligible financial institution in return for the contribution from the Recipient; (ii) the terms and conditions of such Matching Grants, including the eligible financial institution’s contribution; and (iii) the template form of the Matching Grant Agreement.

3. Without limitation upon paragraph I.E.1 above, the Recipient shall cause the Project Implementing Entity, to ensure that an appropriate social and environmental assessment of any qualifying Proposal for a Matching Grant is carried to confirm that such Proposal will not: (a) include any major civil works (on a case by case basis Proposals containing rehabilitation of minor civil works will be vetted and appraised to ensure that all such works will be undertaken within the existing physical footprint of an existing structure and in accordance with the applicable ESS Instruments); and (b) involve change in land acquisitions or change in land use, involuntary resettlement, or any social risks.

F. Line of Credit under Part B.1(a) of the Project: LOC Manager and PFIs Sub-loans

1. The Recipient shall ensure that the Project Implementing Entity, at all times during implementation of the Project, maintains a financial consulting firm either directly under the Project Implementing Entity, or as agent of the Project Implementing Entity, for the purpose of efficient delivery of the required assessments, activities, and management of the Line of Credit under Part B.1(a) of the Project.
2. The Recipient shall ensure that the Project Implementing Entity (acting directly or through the LOC Manager), shall enter into agreements with each PFI under terms and conditions which shall have been approved by the Association including, *inter alia*, the terms and conditions set forth in Section I.I of this Schedule (PFI Funding Agreement).
3. The Project Implementing Entity (acting through the LOC Manager) shall exercise its rights and carry out its obligations under each PFI Funding Agreement in such manner as to protect its interests, those of the Recipient, and the Association, and to accomplish the purposes of the Financing.
4. Except as the Association shall otherwise agree, the Recipient, and the Project Implementing Entity shall not assign, amend, abrogate, terminate, waive, or fail to enforce any PFI Funding Agreement or any of the provision thereof.

G. Terms and Conditions of each PFI Funding Agreement

The Recipient shall cause the Project Implementing Entity (acting through the LOC Manager):

1. To make loans to competitively selected eligible PFIs for on-lending to eligible MSMEs in accordance with detailed criteria set forth in the LOC Manual, satisfactory to the Association, including the PFIs': (a) (i) experience in financing MSMEs; (ii) an appropriate license and at least two years of operation, (iii) good standing with BSL; (iv) a track record lending to MSMEs; (v) capital adequacy;

(vi) possession of risk management systems; (vii) a recent clean external audit report and a robust internal audit system; (viii) an indicative pipeline of potential loans to MSMEs that fulfills project goal; (ix) compliance with environmental and social requirements and satisfactory internal environmental and social management systems; (x) acceptable sub-loan conditions; (xi) acceptable eligibility criteria for MSMEs; and (xii) adequate information management systems to manage the loan portfolio; and (b) enter into an agreement (PFI Funding Agreement) with eligible PFIs on terms and conditions approved by the Association, which shall include obtaining rights adequate to protect its interests and those of the Association, including the right for the PFIs to use the Financing to make Sub-loans to eligible MSMEs to implement Subprojects and in accordance with eligibility criteria and procedures, acceptable to the Association, which shall be detailed in the LOC Manual, and exclude those that would be deemed as posing significant environmental and social risks.

2. To comply with the following obligations: (a) to 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 Project; and (b) at the request of the Association, the Recipient, and/or the Project Implementing Entity (acting through the LOC Manager), have such financial statements audited by independent auditors acceptable to the Association, the Recipient, and/or the Project Implementing Entity, and promptly furnish the statements so audited to the Project Implementing Entity (either acting directly or through an agent in that behalf).
3. To comply with the provisions of the Anti-Corruption Guidelines in connection with the Project.
4. Not to assign, amend, terminate, abrogate, repeal, waive or fail to enforce the PFI Funding Agreement or any provision of the Sub-loan Agreement, unless previously agreed by the Project Implementing Entity (acting through the LOC Manager), and the Association.
5. To take or permit to be taken all actions to enable the Project Implementing Entity and the Recipient to comply with their respective obligations referred to in this Agreement, and the Project Agreement.

H. Eligibility Criteria, Terms and Conditions of the PFI Sub-loans

1. The Recipient shall cause the Project Implementing Entity, (acting through the LOC Manager), to ensure that each eligible PFI shall appraise, approve, monitor and evaluate respective MSME proposals under Part B.1(a) of the Project, and administer sub-loans to the respective MSMEs, in accordance with the terms and

conditions of the PFI Funding Agreement, the guidelines and procedures set forth in the LOC Manual, and the Anti-Corruption Guidelines.

2. The PFI shall make each Sub-loan under a Sub-loan Agreement with the eligible MSME on terms and conditions approved by the Association, which shall include the following:
 - (a) The Sub-loan shall be: (i) denominated and repayable in Sierra Leone Leone (Le); (ii) charged interest on the principal amount withdrawn and outstanding from time to time at the rate determined by the PFI to be the market rate after the completion of the transition period defined in the LOC Manual, and no lower than the most recent savings rate published by the BSL or another low-risk reference interest rate mutually agreed upon by the Recipient and the Association; and (iii) repayable over a period not exceeding two (2) years from the date of the Sub-loan Agreement, unless mutually agreed upon by the Recipient and the Association.
3. The Recipient shall cause the Project Implementing Entity (acting though the LOC Manager), to require each PFI to exercise its rights under each Sub-loan Agreement in such manner as to protect the interests of the Recipient, the Project Implementing Entity, the Association, and the PFI and to accomplish the purposes of the Grant.
4. Except, as the Recipient, the Project Implementing Entity, and the Association shall otherwise agree, the pertinent PFI shall not assign, amend, abrogate, or waive any Sub-loan Agreement or any of its provisions.
5. **LOC Management Transitional Covenants.** The Recipient shall not later than twenty-four (24) months after Effective Date, cause the Project Implementation Entity to: (a) identify a qualified apex institution, satisfactory to the Association, as an apex institution for sustainable management of the Line of Credit; and (b) ensure that such apex institution is appraised for technical capacity, in form and substance satisfactory to the Association, prior to transitioning into the apex institution.

I. Environmental and Social Standards

1. The Recipient shall, and shall cause the Project Implementing Entity to, ensure that the Project is carried out in accordance with the Environmental and Social Standards, in a manner acceptable to the Association.
2. Without limitation upon paragraph 1 above, the Recipient shall, and shall cause the Project Implementing Entity to, ensure that the Project is implemented in accordance with the Environmental and Social Commitment Plan (“ESCP”), in a

manner acceptable to the Association. To this end, the Recipient shall, and shall cause the Project Implementing Entity to, ensure that:

- (a) the measures and actions specified in the ESCP are implemented with due diligence and efficiency, as provided in the ESCP;
 - (b) sufficient funds are available to cover the costs of implementing the ESCP;
 - (c) policies and procedures are maintained, and qualified and experienced staff in adequate numbers are retained to implement the ESCP, as provided in the ESCP; and
 - (d) the ESCP, or any provision thereof, is not amended, repealed, suspended or waived, except as the Association shall otherwise agree in writing, as specified in the ESCP, and ensure that the revised ESCP is disclosed promptly thereafter.
3. Without limitation upon the provisions of paragraph 2 above, if 60 days prior to the Closing Date, the Association determines that there are measures and actions specified in the ESCP which will not be completed by the Closing Date, the Recipient shall: (a) not later than 30 days before the Closing Date, prepare and present to the Association, an action plan satisfactory to the Association on the outstanding measures and actions, including a timetable and budget allocation for such measures and actions (which action plan shall deemed to be considered an amendment of the ESCP); and (b) thereafter, carry out said action plan in accordance with its terms and in a manner acceptable to the Association.
4. In case of any inconsistencies between the ESCP and the provisions of this Agreement, the provisions of this Agreement shall prevail.
5. The Recipient shall, and shall cause the Project Implementing Entity to, ensure that:
- (a) all measures necessary are taken to collect, compile, and furnish to the Association through regular reports, with the frequency specified in the ESCP, and promptly in a separate report or reports, if so requested by the Association, information on the status of compliance with the ESCP and the environmental and social instruments referred to therein, all such reports in form and substance acceptable to the Association, setting out, *inter alia*: (i) the status of implementation of the ESCP; (ii) conditions, if any, which interfere or threaten to interfere with the implementation of the ESCP; and (iii) corrective and preventive measures taken or required to be taken to address such conditions; and

- (b) the Association is promptly notified of any incident or accident related to or having an impact on the Project which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers, including, in accordance with the ESCP, the environmental and social instruments referenced therein and the Environmental and Social Standards.
- 6. The Recipient shall, and shall cause the Project Implementing Entity to, establish, publicize, maintain and operate an accessible grievance mechanism, to receive and facilitate resolution of concerns and grievances of Project-affected people, and take all measures necessary and appropriate to resolve, or facilitate the resolution of, such concerns and grievances, in a manner acceptable to the Association.
- 7. The Recipient shall, and shall cause the Project Implementing Entity to, ensure that all bidding documents and contracts for civil works under the Project include the obligation of contractors, and subcontractors and supervising entities to: (a) comply with the relevant aspects of ESCP and the environmental and social instruments referred to therein; and (b) adopt and enforce codes of conduct that should be provided to and signed by all workers, detailing measures to address environmental, social, health and safety risks, and the risks of sexual exploitation and abuse, sexual harassment and violence against children, all as applicable to such civil works commissioned or carried out pursuant to said contracts.

J. Contingent Emergency Response Component

- 1. In order to ensure the proper implementation of contingent emergency response activities under Part D of the Project (“Contingent Emergency Response Part”), the Recipient shall ensure that:
 - (a) a manual (“CERC Manual”) is prepared and adopted in form and substance acceptable to the Association, which shall set forth detailed implementation arrangements for the Contingent Emergency Response Part, including: (i) any structures or institutional arrangements for coordinating and implementing the Contingent Emergency Response Part; (ii) specific activities which may be included in the Contingent Emergency Response Part, Eligible Expenditures required therefor (“Emergency Expenditures”), and any procedures for such inclusion; (iii) financial management arrangements for the Contingent Emergency Response Part; (iv) procurement methods and procedures for the Contingent Emergency Response Part; (v) documentation required for withdrawals of Financing amounts to finance Emergency Expenditures; (vi) a description of the environmental and social assessment and management arrangements for the Contingent Emergency Response Part; and (vii) a template Emergency Action Plan;

- (b) the Emergency Action Plan is prepared and adopted in form and substance acceptable to the Association;
 - (c) the Emergency Response Part is carried out in accordance with the CERC Manual and the Emergency Action Plan; provided, however, that in the event of any inconsistency between the provisions of the CERC Manual or the Emergency Action Plan and this Agreement, the provisions of this Agreement shall prevail; and
 - (d) neither the CERC Manual or the Emergency Action Plan is amended, suspended, abrogated, repealed or waived without the prior written approval by the Association.
2. The Recipient shall ensure that the structures and arrangements referred to in the CERC Manual are maintained throughout the implementation of the Contingent Emergency Response Part, with adequate staff and resources satisfactory to Association.
3. The Recipient shall ensure that:
- (a) the environmental and social instruments required for the Contingent Emergency Response Part are prepared, disclosed and adopted in accordance with the CERC Manual and the ESCP, and in form and substance acceptable to the Association; and
 - (b) the Contingent Emergency Response Part is carried out in accordance with the environmental and social instruments in a manner acceptable to the Association.
4. Activities under the Contingency Emergency Response Part shall be undertaken only after an Eligible Crisis or Emergency has occurred.

Section II. Project Monitoring, Reporting and Evaluation

The Recipient shall furnish to the Association each Project Report not later than 30 days after the end of each calendar semester, covering the calendar semester. Except as may otherwise be explicitly required or permitted under this Agreement or as may be explicitly requested by the Association, in sharing any information, report or document related to the activities described in Schedule 1 of this Agreement, the Recipient shall ensure that such information, report or document does not include Personal Data.

Section III. Withdrawal of the Proceeds of the Financing

A. General

Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Recipient may withdraw the proceeds of the Financing to finance Eligible Expenditures in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

Category	Amount of the Grant Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, consulting services, Training, and Operating Costs for Parts A, B and C of the Project (except Parts B.1(a), A.1(b) and A.4(b) of the Project)	19,700,000	100%
(2) (a) Line of Credit under Part B.1(a) of the Project (b) conditional Line of Credit	7,400,000 1,500,000	100% of the amount disbursed under Sub-loans
(3) Matching Grants under Parts A.1(b) and A.4(b) of the Project	1,100,000	100%
(4) Emergency Expenditures under Part D of the Project (CERC)	0	
TOTAL AMOUNT	29,700,000	

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 Signature Date; or

- (b) under Category (2)(a) unless the Recipient has: (i) prepared an LOC Manual (including a template of PFI Funding Agreement), in form and substance satisfactory to the Association; and (ii) competitively selected and hired the services of a consulting firm (to act as the LOC Manager), said consulting firm with experience, qualifications, and under terms of reference, satisfactory to the Association; or
- (c) under Category 2(b) unless the Recipient has: (i) met the conditions set forth in subparagraph (b) immediately above; (ii) two years from initial disbursement of the first PFI Funding; or (iii) improved macroeconomic conditions such that the 12-month average of the estimated or actual monthly inflation rate as published by the International Monetary Fund (IMF) fall under 18 percent per annum, whichever of the event specified in (ii) or (iii) shall be the earlier; or (d) under Category (3) unless the Recipient has: (i) prepared an Matching Grants Manual (including a template of the Matching Grant Agreement), in form and substance satisfactory to the Association; and (ii) competitively selected and hired the services of a consulting firm (to act as the LOC Manager), said consulting firm with experience, qualifications, and under terms of reference, satisfactory to the Association; or
- (e) for Emergency Expenditures under Category 4 unless and until:
 - (i) (A) the Recipient has determined that an Eligible Crisis or Emergency has occurred, and has requested the Association to address such Eligible Crisis or Emergency under Part D of the Project and in accordance with the provisions of this Agreement; and (B) the Association has agreed with such determination, accepted said request and notified the Recipient thereof; and
 - (ii) the Recipient has adopted the CERC Manual and Emergency Action Plan, in form and substance acceptable to the Association

2. The Closing Date is September 25, 2028.

APPENDIX

Definitions

1. “Annual Work Plans and Budget” means each work plan and budget prepared annually by the Recipient or the Project Implementing Entity in accordance with the provisions of Section I.C of Schedule 2 to this Agreement.
2. “Anti-Corruption Guidelines” means, for purposes of paragraph 5 of the Appendix to the General Conditions, 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 and as of July 1, 2016.
3. “Apex Bank” means Apex Sierra Leone Bank Limited, registered as a company limited by guarantee pursuant to Sierra Leone Companies Act, 2009, and licensed to operate as a financial institution within the territory of the Recipient. “Bank of Sierra Leone” or “BSL” means the Recipient’s Central Bank established and operating pursuant to the Bank of Sierra Leone Act of 2019 (as amended), or any successor thereto.
4. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
5. “CERC Manual” means the manual referred to in Section I.J of Schedule 2 to this Agreement, as such manual may be updated from time to time with the agreement of the Association, and which is an integral part of the Project Implementation Manual.
6. “Contingent Emergency Response Part” means any activity or activities to be carried out under Part D of the Project to respond to an Eligible Crisis or Emergency.
7. “Eligible Crisis or Emergency” means an event that has caused, or is likely to imminently cause, a major adverse economic and/or social impact to the Recipient, associated with a natural or man-made crisis or disaster.
8. “Emergency” means emerged unforeseen challenges, as a result of Russia war in Ukraine, which in the context of the current crisis has contributed to the exogenous shocks affecting key sectors of the economy, and financial distress to the Recipient’s MSMEs.
9. “Emergency Action Plan” means the plan referred to in Section I.J of Schedule 2 detailing the activities, budget, implementation plan, and monitoring and evaluation arrangements, to respond to the Eligible Crisis or Emergency.

10. “Emergency Expenditures” means any of the eligible expenditures set forth in the CERC Manual referred to in Section I.J of Schedule 2 to this Agreement and required for the Contingent Emergency Response Part.
11. “Environmental and Social Commitment Plan” or “ESCP” means the environmental and social commitment plan for the Project, dated May 5, 2023, as the same may be amended from time to time in accordance with the provisions thereof, which sets out the material measures and actions that the Recipient shall carry out or cause to be carried out to address the potential environmental and social risks and impacts of the Project, including the timeframes of the actions and measures, institutional, staffing, training, monitoring and reporting arrangements, and any environmental and social instruments to be prepared thereunder.
12. “Environmental and Social Standards” or “ESSs” means, collectively:
(i) “Environmental and Social Standard 1: Assessment and Management of Environmental and Social Risks and Impacts”; (ii) “Environmental and Social Standard 2: Labor and Working Conditions”; (iii) “Environmental and Social Standard 3: Resource Efficiency and Pollution Prevention and Management”; (iv) “Environmental and Social Standard 4: Community Health and Safety”; (v) “Environmental and Social Standard 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement”; (vi) “Environmental and Social Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources”; (vii) “Environmental and Social Standard 7: Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities”; (viii) “Environmental and Social Standard 8: Cultural Heritage”; (ix) “Environmental and Social Standard 9: Financial Intermediaries”; (x) “Environmental and Social Standard 10: Stakeholder Engagement and Information Disclosure”; effective on October 1, 2018, as published by the Association.
13. “Fiscal Year” means the fiscal year of the Recipient commencing period on January 1 and ending on December 31 of each year.
14. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Investment Project Financing”, dated December 14, 2018 (revised on August 1, 2020, April 1, 2021, and January 1, 2022).
15. “Line of Credit” means a revolving facility managed and operated by the Project Implementing Entity (or acting through the LOC Manager) to provide financing out of the proceeds of the Grant to respective PFIs.
16. “LOC Manager” means the Project Implementing Entity acting through a financial consultant firm specifically procured by the Project Implementation Unit for the purpose of carrying out the required assessment(s), administration, and

management of the activities relating to, and the revolving Line of Credit, and the Matching Grants.

17. “MSMEs’ means Micro, Small and Medium Enterprises.
18. “Ministry of Finance” or “MoF” means the Recipient’s ministry responsible for finance, or any successor thereto.
19. “National Payment Systems Act” or “NPS Act” means the National Payment Systems Act 2022 of the laws of the Recipient, relating to regulation of the national payment system and providing for related matters.
20. “National Strategy for Financial Inclusion” means Bank Sierra Leon’s document titled, “Sierra Leone’s 2022-2026 National Strategy for Financial Inclusion.
21. “Operating Costs” means the incremental operating expenditures incurred by the Recipient through BSL on account of the Project implementation, management, monitoring and evaluation, including salaries of contractual staff, expenditures for office rent, office maintenance and office repairs, as well as expenditures for materials and supplies, communication costs, support for information systems, translation costs, bank charges and travel and *per diem* costs of the Recipient’s staff and other reasonable expenditures directly associated with implementation of the Project activities, all based on an annual budget acceptable to the Association, but excluding salaries of officials of the Recipient’s civil service and such other expenditures as may be agreed with the Association.
22. “Participating Financial Institution” or “PFI” means an approved financial institution, including a micro finance institution, which is registered as a financial institution pursuant to the laws of the Recipient, and approved to participate through the Line of Credit as a financier of MSMEs initiated Proposals.
23. “Personal Data” means any information relating to an identified or identifiable individual. An identifiable individual is one who can be identified by reasonable means, directly or indirectly, by reference to an attribute or combination of attributes within the data, or combination of the data with other available information. Attributes that can be used to identify an identifiable individual include, but are not limited to, name, identification number, location data, online identifier, metadata and factors specific to the physical, physiological, genetic, mental, economic, cultural or social identity of an individual.
24. “PFI Funding” means a sub-loan to be made by the Project Implementing Entity, (acting through the LOC Manager) to a PFI pursuant to the PFI Funding Agreement.

25. “PFI Funding Agreement” means any of the agreements to be executed between the Project Implementing Entity (acting through the LOC Manager) and a PFI, pursuant to which such PFI shall obtain a revolving line of credit, as such PFI funding agreement may be amended from time to time, with the agreement of the Association, and such term includes all appendices, schedules and agreements supplemental to the PFI Funding Agreement.
26. “Procurement Regulations” means, for purposes of paragraph 87 of the Appendix to the General Conditions, the “World Bank Procurement Regulations for IPF Borrowers”, dated July 2016, revised November 2017 and August 2018.
27. “Project Implementing Entity” means Bank of Sierra Leone.
28. “Project Implementation Manual” means the manual, satisfactory to the Association, and referred to in Section C.1 of Schedule 2 to this Agreement, as the same may be amended from time to time with agreement of the Association.
29. “Project Implementing Unit” or “PIU” the unit to be established within BSL in accordance with Section I.A.2 of Schedule 2 to this Agreement, and Section I.A.1 of the Schedule to the Project Agreement.
30. “Proposal” means any proposal for a Matching Grant initiated by a PFI.
31. “SMEDA” means Small and Medium Enterprises Development Agency, established and operating pursuant to the Sierra Leone Small and Medium Enterprises Development Agency Act, 2016, of the laws of the Recipient.
32. “Sub-loan” means a sub-financing to be made by a PFI to an MSME pursuant to a Sub-loan Agreement.
33. “Sub-loan Agreement” means any agreement to be executed between a PFI and an MSME pursuant to which such MSME shall obtain a sub-financing to carry out a Proposal, as such sub-financing agreement may be amended from time to time, with the agreement of the Association, and the Project Implementing Entity (acting through the LOC Manager), and such term includes all appendices, schedules and agreements supplemental to the Sub-financing Agreement.
34. “Sub-loan Proposal” means any Proposal for a sub-loan under the Line of Credit, initiated by an MSME and financed through a PFI pursuant to the financing available to such PFI under the Project.
35. “Subsidiary Agreement” means the agreement referred to in Section I.B of Schedule 2 to this Agreement.
36. “Training” means the cost associated with the training and workshops, based on the Annual Work Plans and Budgets approved by the Association pursuant to

Section I.D.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; (iv) training material preparation, acquisition, reproduction and distribution expenses; and (v) other costs directly related to training preparation and implementation.