

Public Disclosure Authorized

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**GRANT NUMBER H493-SL**

# **Financing Agreement**

**(Integrated Public Financial Management Reform Project)**

**between**

**REPUBLIC OF SIERRA LEONE**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated October 19, 2009**

Public Disclosure Authorized



**GRANT NUMBER H493 -SL**

**FINANCING AGREEMENT**

AGREEMENT dated October 19, 2009, entered into between the REPUBLIC OF SIERRA LEONE (“Recipient”) and the INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”).

WHEREAS (A) the Recipient intends to contribute an amount equivalent to two million Dollars (\$2,000,000) made available to the Recipient by the African Development Bank to assist in the financing of the Project in accordance with Section I.F of Schedule 2 to this Agreement; and

(B) the Recipient and the Association, acting as an administrator of grant funds to be provided by the United Kingdom Department for International Development and the European Commission, intend to enter into a Trust Fund Grant Agreement for the purpose of making a grant to the Recipient to assist in financing the Project on the terms and conditions set forth in the Trust Fund Grant Agreement;

NOW THEREFORE, the Recipient and the Association hereby agree as follows:

**ARTICLE I — GENERAL CONDITIONS; DEFINITIONS**

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

**ARTICLE II — FINANCING**

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equivalent to two million seven hundred thousand dollars Special Drawing Rights (SDR 2,700,000) (“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 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 February 1 and August 1 in each year.
- 2.05 The Payment Currency is Dollar.

**ARTICLE III — PROJECT**

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

**ARTICLE IV — EFFECTIVENESS; TERMINATION**

- 4.01. The Additional Conditions of Effectiveness consist of the following:
  - (a) The Recipient has adopted the Project Implementation Manual, in form and substance satisfactory to the Association.
  - (b) The Recipient has prepared the Annual Work Plan and Budget for the first year of Project implementation, in form and substance satisfactory to the Association.
  - (c) The Recipient has: (i) appointed the Director for PFM Reforms referred to in Section I.B of Schedule 2 to this Agreement as a civil servant with qualifications, experience and terms of reference satisfactory to the Association; and (ii) appointed the PAU staff specified in Section I.C.2 of Schedule 2 to this Agreement with qualifications, experience and terms of reference satisfactory to the Association, in accordance with the provisions of Section III of Schedule 2 to this Agreement.
  - (d) The Trust Fund Grant Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under it (other than the effectiveness of this Agreement) have been fulfilled.
- 4.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

**ARTICLE V — REPRESENTATIVE; ADDRESSES**

5.01. The Recipient's Representative is its Minister responsible for finance.

5.02. The Recipient's Address is:

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

Facsimile: 232 22 228 472

5.03. The Association's Address is:

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

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

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

**REPUBLIC OF SIERRA LEONE**

**By /s/ Samura Kamara**

**Authorized Representative**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**By /s/ Engilbert Gudmundsson**

**Authorized Representative**

## SCHEDULE 1

### Project Description

The objective of the Project is to assist the Recipient in sustainably improving the credibility, control and transparency of fiscal and budget management.

The Project consists of the following parts:

#### **Part 1. Strengthening Macro-fiscal Coordination and Budget Management**

- 1.1 Macro-fiscal Management and Budget Formulation. Establishment of a credible and policy-oriented budget process through, *inter alia*: (i) the development of a macro-economic and fiscal framework incorporating realistic aggregate fiscal estimates; (ii) the development of improved procedures and the building of capacity for revenue forecasting by MOFED; (iii) the establishment of expenditure ceilings through the medium term expenditure framework; (iv) the design and implementation of arrangements for transparency and participation in the budget formulation process; (v) the strengthening of the strategic planning capacity of MDAs; and (vi) the strengthening of aid policy and management processes.
- 1.2 Budget Execution. Establishment of a predictable budget execution process through, *inter alia*: (i) the design and implementation of improved MOFED procedures for cash forecasting, cash management and quarterly releases; (ii) the streamlining and implementation of commitment control procedures for all central government expenditures; and (iii) the strengthening of the budget execution capacity of the MDA budget committees.
- 1.3 Debt Management. Development of an improved legal, policy and institutional framework for sustainable debt management through, *inter alia*: (i) the development of a policy on the criteria and limits regarding the Recipient's public debts and guarantees; (ii) the adoption and implementation of a plan to reduce the stock of domestic debt and expenditure arrears; (iii) the strengthening of MOFED's debt database; (iv) the drafting of revisions to relevant legal instruments governing debt management; (v) the establishment of a system for regular analysis of the fiscal position and risks arising from state-owned enterprises; and (vi) the setting-up of mechanisms for cross-government coordination on debt management policy and analysis.

#### **Part 2. Reinforcing the Control System for Improved Service Delivery**

- 2.1 Legal Framework. Drafting of revisions to key legal instruments governing public financial management, including revisions to the Recipient's Government Budgeting and Accountability Act of 2005 and the Financial Management

Regulations of 2007, and finalization and dissemination of local government financial administration regulations.

- 2.2 Public Procurement. Strengthening of the MDAs' capacity and practices in public procurement through, *inter alia*: (i) the drafting of revisions to the legislation, regulations and standard bidding documents governing procurement; (ii) the development and adoption of a plan for full application of transparency and monitoring arrangements by NPPA; and (iii) the strengthening of the capacity of MDAs to carry out procurement in accordance with the applicable legal framework and procurement plans.
- 2.3 Accounting, Recording and Reporting. Improvement of the quality and maintenance of the timeliness of financial accounting, recording and reporting through, *inter alia*: (i) the re-design and documentation of accounting processes in line with the IFMIS; (ii) the introduction of stores and asset management systems; (iii) the introduction of improved procedures for the management of accounting records, and (iv) the establishment of requirements for improved financial reporting by various parastatal and public agencies and in respect of donor-funded projects.
- 2.4 Payroll Strengthening. Improvement of the management and control of personnel spending through, *inter alia*: (i) the roll-out of the personnel management component of the IFMIS; and (ii) the development of improved medium-term budgeting for civil service payroll costs as part of the budget preparation process.
- 2.5 Other Aspects of Internal Control. Establishment of improved internal audit functions in MOFED and other MDAs, and support for the implementation of the PETS through, *inter alia*, (i) the capacity building of internal audit staff of MOFED and other MDAs; (ii) the creation and capacity building of MDA audit committees; and (iii) the support for timely publication of PETS reports.
- 2.6 Reinforcement of Parliamentary Oversight. Strengthening of the capacity of the members and support staff of the budget and finance committee and the public accounts committee of the Recipient's Parliament to analyze budgets and audit reports and exercise oversight on the use of public resources.

### **Part 3. Strengthening Central Finance Functions**

- 3.1 Financial Management Information Systems. Implementation of financial management information systems through, *inter alia*: (i) the consolidation and roll-out of the core treasury and purchasing functions of the IFMIS to the MDAs; (ii) the development and implementation of a disaster recovery plan for the IFMIS, (iii) the implementation of the budgeting, asset and stock



management modules of the system; and (iv) provision of accounting software to the Recipient's local government authorities.

- 3.2 Information and Communication Technology. Strengthening of ICT planning and management through, *inter alia*: (i) the setting-up of a structure and function within MOFED to support ICT systems development and maintenance in MOFED and other MDAs; (ii) the development of an ICT policy; and (iii) the timely maintenance and updating of MOFED's website.
- 3.3 PFM Capacity Building. Development of PFM capacity through the provision of: (i) general professional training for technical PFM staff across government (including, *inter alia*, fiscal economists, budget and planning officers, procurement officers, internal auditors, accountants and ICT officers); and (ii) specific training for staff of NPPA and various units of MOFED (including, *inter alia*, the budget bureau, the Accountant's General's Department, the debt management unit, the revenue and tax policy unit, the internal audit unit, and the units in charge of IFMIS and ICT) to meet specialized skills needed to achieve Project objectives.
- 3.4 Salary Support for MOFED Civil Service Staff. Provision of transitional funding for salaries of selected civil service staff in MOFED to enable the establishment of sustainable human resource capacity for performing key line functions of MOFED through the mainstreaming of donor-funded PFM consultants into the civil service.
- 3.5 Salary Support for MOFED Consultants. Provision of interim funding for salaries of selected PFM consultants in MOFED to enable the performance of key line functions of MOFED prior to such consultants becoming eligible for support under Part 3.4.

#### **Part 4. Assisting Non-State Actors' Oversight**

- 4.1 Supply-Driven Support. Support for the engagement of NSAs on PFM reform issues through, *inter alia*: (i) the creation of a network for information sharing and collaboration among NSAs and government on PFM issues; (ii) the preparation and dissemination of PFM information materials at national and local levels; (iii) the building of capacity on PFM for NSAs; and (iv) the provision of support for the administration of Sub-grants under Part 4.2, including the recruitment of a Sub-grants Evaluation Agent.
- 4.2 Demand-Driven Sub-projects. Provision of Sub-grants to eligible NSAs to support demand-driven activities related to PFM including but not limited to: (i) analysis and monitoring of the national and local government budgets at various stages of the budget preparation, approval and execution cycle; (ii) support for advocacy activities and dissemination of information on all

aspects of PFM at the national and local government levels; and (iii) media training for journalists on covering government budget and spending matters, and other PFM-related issues.

#### **Part 5. Project Management**

Support for the coordination, administration, procurement, financial management, monitoring and evaluation of the Project.

**SCHEDULE 2****Project Execution****Section I. Implementation Arrangements****A. PFM Oversight Committee**

1. The Recipient shall maintain, at all times during the implementation of the Project, a PFM Oversight Committee with a mandate, composition and resources satisfactory to the Association.
2. Without limitation of the provisions of paragraph 1 of this Part A, the PFM Oversight Committee shall meet quarterly or more often if required and be responsible for, *inter alia*: (a) providing strategic and policy direction on PFM reforms supported under the Project; (b) facilitating the removal of any obstacles to the implementation of the Project; (c) reviewing and approving the Annual Work Plans and Budgets for the Project; and (d) reviewing and approving Sub-grants proposed to be made to eligible NSAs.

**B. Director for PFM Reforms**

The Recipient shall appoint as a civil servant and thereafter retain, at all times during the implementation of the Project, a Director for PFM reforms with qualifications, experience and terms of reference satisfactory to the Association, and responsible *inter alia* for coordinating and facilitating the PFM reforms supported under the Project, and shall ensure that the said Director is provided with adequate staffing and resources for such purpose.

**C. Project Administration Unit**

1. The Recipient shall maintain, at all times during the implementation of the Project, a Project Administration Unit within MOFED, with functions, staffing and resources satisfactory to the Association.
2. Without limitation to the provisions of paragraph 1 of this Part C, the PAU shall: (a) be headed by a Project Manager and comprise a procurement officer, an accountant and an NSA coordination officer, all with qualifications, experience and terms of reference satisfactory to the Association; and (b) be responsible for the day-to-day administration of procurement, financial management and other Project implementation arrangements and for reporting to the Director for PFM reforms and the Association on all matters pertaining to the implementation of the Project and the use of the proceeds of the Financing.

**D. Sub-grants Evaluation Agent**

1. The Recipient shall appoint and maintain, at all times during the implementation of the Project, a firm or individual(s) to serve as the Sub-grants Evaluation Agent, with qualifications, experience and terms of reference satisfactory to the Association.
2. Without limitation upon the provisions of paragraph 2 of this Part D, the Sub-grants Evaluation Agent shall be responsible for: (a) appraising Subproject proposals in accordance with the eligibility criteria set out in the Sub-grants Manual; and (b) recommending, on the basis of such appraisal, eligible Sub-projects for approval by the PFM Oversight Committee, subject to the Association's no-objection, all in accordance with the provisions and procedures set forth in Part I of this Section and further detailed in the Sub-grants Manual.

**E. Project Implementation Manual; Sub-grants Manual**

1. The Recipient shall adopt a Project Implementation Manual in form and substance satisfactory to the Association, containing detailed arrangements and procedures for: (a) institutional coordination and day-to-day execution of the Project; (b) Project budgeting, disbursement and financial management; (c) procurement; (d) environmental and social safeguard guidelines; (e) monitoring, evaluation, reporting and communication; and (f) such other administrative, financial, technical and organizational arrangements and procedures as shall be required for the Project.
2. The Recipient shall adopt a Sub-grants Manual in form and substance satisfactory to the Association, defining eligibility criteria and approval, disbursement, administration and monitoring arrangements for Subprojects together with a model Sub-grant Agreement format.
3. The Recipient shall carry out the Project in accordance with the guidelines and procedures set out in the PIM and the Sub-Grants Manual (provided, however, that in case of any conflict between the arrangements and procedures set out in the PIM or the Sub-grants Manual and the provisions of this Agreement, the provisions of this Agreement shall prevail) and, except as the Association shall otherwise agree, shall not amend, abrogate or waive any provision of the PIM and the Sub-grants Manual.

**F. Annual Work Plans and Budgets; Counterpart Funds**

1. The Recipient shall prepare and furnish to the Association for its approval, not later than November 1 of each year during the implementation of the Project, an Annual Work Plan and Budget containing all eligible Project

activities and expenditures planned for the following Fiscal Year, including a specification of the source or sources of financing for all eligible expenditures, the percentage of financing of such expenditures from each such source, including the amounts, timetable and modalities for the payment of counterpart funds to be contributed by the Recipient pursuant to paragraph 4 of this Part F.

2. The Recipient shall ensure that the Project is implemented in accordance with the Annual Work Plans and Budgets approved for the respective Fiscal Year; provided, however, that in case of any conflict between the Annual Work Plans and Budgets and the provisions of this Agreement, the provisions of this Agreement shall prevail.
3. 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.
4. Except as the Recipient and the Association shall otherwise agree, the Recipient shall contribute an amount equivalent to \$2,000,000 to finance exclusively expenditures under the Project, as shall be specified in the Annual Work Plans and Budgets in accordance with paragraph 1 of this Part F.

**G. Transitional Support for Civil Service Staff Salaries**

For the purposes of providing transitional support for the financing of salaries of MOFED civil service staff under Part 3.4 of the Project, the Recipient shall: (a) prepare and furnish to the Association an overall policy, in form and substance satisfactory to the Association, for the establishment of sustainable human resource capacity within MOFED; (b) prepare and furnish to the Association an implementation and financing plan for each respective Fiscal Year in which such salaries are to be financed under the Project, in form and substance satisfactory to the Association, including details on the numbers, names, conditions of service, salaries and other benefits of MOFED civil service staff proposed to benefit from transitional support under the Project, the proportion of the wage bill to be supported under the Project and other relevant information; (c) carry out Part 3.4 of the Project in accordance with said policy and plans; and (d) not amend, abrogate or waive any provision of the said policy and plans without prior approval in writing by the Association.

**H. Sub-grants**

1. The Recipient shall ensure that Subprojects are appraised, approved and monitored and Sub-grants are administered in accordance with the provisions set forth or referred to in this Part H and in more detail in the Sub-grants Manual.

2. No proposed Subproject shall be eligible for financing under a Sub-grant out of the proceeds of the Financing unless the Sub-grants Evaluation Agent has recommended, and the PFM Oversight Committee has approved subject to the Association's no-objection, on the basis of an appraisal conducted by the Sub-grants Evaluation Agent in accordance with the guidelines set forth in the Sub-grants Manual, that the proposed Subproject satisfies the eligibility criteria set forth in the Sub-grants Manual.
3. A Subproject shall be carried out pursuant to a Sub-grant Agreement, to be concluded between the Recipient and the respective NSA, under terms and conditions described or referred to in more detail in the Sub-grants Manual and satisfactory to the Association, which, *inter alia*, shall include the following:
  - (a) the description of the activities to be implemented, including the outputs and performance targets to be achieved, and the arrangements for monitoring and reporting on the implementation of the Subproject;
  - (b) the modalities of transfer of funds by the Recipient to the NSA for the financing of the Subproject;
  - (c) the obligation of the NSA to: (i) carry out the Subproject with due diligence and efficiency and in accordance with sound technical, engineering, environmental, financial, and managerial practices and in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Recipient; and (ii) maintain adequate records to reflect, in accordance with sound accounting practices, the operations, resources and expenditures relating to the Subproject;
  - (d) the requirement that the goods and consultants' services to be financed from the proceeds of the Sub-grant shall be procured in accordance with procedures ensuring efficiency and economy and in accordance with the provisions of Section III of this Schedule, and shall be used exclusively in the carrying out of the Subproject; and
  - (e) the right of the Recipient, to: (i) inspect by itself, or jointly with the Association, if the Association shall so request, the goods and sites included in the Subproject, the operations thereof and any relevant records and documents; (ii) obtain all information as it, or the Association, shall reasonably request regarding the administration, operation and financial conditions of Subprojects; and (iii) suspend or terminate the right of any NSA to use the proceeds of the Sub-grant, or obtain a refund of all or any part of the amount of the Sub-grant then withdrawn, upon failure by the NSA to perform any of its obligations under the Sub-grant Agreement.

4. The Recipient shall exercise its rights under the Sub-grant Agreements in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Project, and, except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive any Sub-grant Agreement or any provision thereof.

#### **I. 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 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 the indicators set forth below in paragraph 2 of this Part A. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than one month after the end of the period covered by such report.
2. The performance indicators referred to above in paragraph 1 consist of the following: (a) reduction in variance in expenditure for the 20 largest budget heads; (b) increase in the share of actual to budgeted spending on pro-poor expenditure priorities compared to the ratio of actual to budget expenditures for all other discretionary primary expenditures; (c) reduction in payment arrears (excluding interest and donor-financed project expenditure); (d) increased number of financial and procurement documents listed in the PEFA indicator 10 published through the Sierra Leone Gazette and MOFED's website; (e) timely audited public accounts with no material qualifications concerning basic control system failures; and (f) increase in percentage of MDA contracts in compliance with provisions of the Recipient's procurement legislation and regulations.
3. The Recipient shall: (a) on or about the date twenty four (24) months after the Effective Date, submit to the Association a mid-term report, in such detail as the Association shall reasonably request, documenting progress achieved in the carrying out of the Project during the period preceding the date of the mid-term report, taking into account the monitoring and evaluation activities performed pursuant to paragraphs 1 and 2 of this Part A, and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and (b) review with the Association the mid-term report, on or about the date one month after its submission, and thereafter take all measures required to ensure the efficient implementation of the Project and the achievement of its objectives,

based on the conclusions and recommendations of the mid-term report and the Association's views on the matter.

**B. Financial Management, Financial Reports and Audits**

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association not later than 45 days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six months after the end of such period.
4. The Recipient shall, not later than six months after the Effective Date, appoint the independent auditors referred to in Section 4.09 (b) of the General Conditions, in accordance with the provisions of Section III of this Schedule, with qualifications, experience and terms of reference satisfactory to the Association.

**Section III. Procurement**

**A. General**

1. **Goods.** All goods 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**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods.** The following methods, other than International Competitive Bidding, may be used for goods for those contracts specified in the Procurement Plan: (a) National Competitive Bidding, subject to the provisions of paragraph 3 of this Part B; (b) procurement from the United Nations Office for Project Services; (c) Shopping; (d) Direct Contracting; and (e) Established Private or Commercial Practices which have been found acceptable to the Association.
3. **Exceptions to National Competitive Bidding Procedures.** The following provisions shall apply to the procurement of goods under National Competitive Bidding procedures: (a) foreign bidders shall be allowed to participate in National Competitive Bidding procedures; (b) bidders shall be given at least 28 days from the receipt of notification of award to submit performance securities; (c) no domestic preference shall be given for domestic bidders and for domestically manufactured goods; and (d) in accordance with paragraph 1.14(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 1.14(a)(v) of the Procurement Guidelines.

**C. Particular Methods of Procurement of Consultants' Services**

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.
2. **Other Methods of Procurement of Consultants' Services.** The following methods, other than Quality and Cost-based Selection, may be used for procurement of consultants' services for those assignments which are specified in the Procurement Plan: (a) Selection based on Consultants' Qualifications; (b) Least-Cost Selection; (c) Selection under a Fixed Budget; (d) Single-Source Selection; (e) Selection of Individual Consultants; (f) Sole Source Procedures for the Selection of Individual Consultants; and (g) Established Private or Commercial Practices which have been found acceptable to the Association.

**D. Review by the Association of Procurement Decisions**

1. 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.
2. All terms of reference for consultants' services, regardless of contract value, shall be subject to the Association's Prior Review.
3. All training and workshop activities under the Project shall be specified in the relevant Annual Work Plan and Budget for approval by the Association, including: (a) the type of training or workshop; (b) the purpose of the training or workshop; (c) the personnel to participate in the training or workshop; (d) the institution or individual who will conduct the training or workshop; (e) the location and duration of the training or workshop; (f) the cost of the training or workshop; and (g) the outcome and impact of the training or workshop.

**E. Procurement Audits**

1. The Recipient shall, not later than six months after the Effective Date, put in place arrangements, satisfactory to the Association, including the appointment of independent procurement auditors in accordance with the provisions of this Section III, with qualifications, experience and terms of reference satisfactory to the Association, for reviewing the procurement of goods and consultants' services financed under the Project, including the reviewing of procurement procedures and processes.
2. The Recipient shall, not later than six months after the end of each fiscal year, or such later date as the Association may agree, furnish to the Association an audit report on the procurement of goods and consultants' services carried out under the Project, prepared by the said independent procurement auditors.

**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:

<b>Category</b>	<b>Amount of the Financing Allocated (expressed in SDR)</b>	<b>Percentage of Expenditures to be Financed (inclusive of Taxes)</b>
(1) Goods, consultants' services (excluding services provided under Part 3.5 of the Project); Training, Study Tours and Workshops, and Operating Costs	2,100,000	Such percentage as shall be specified in the Annual Work Plan and Budget for the respective Fiscal Year
(2) Civil service staff salaries under Part 3.4 of the Project	300,000	Such percentage as shall be specified in the Annual Work Plan and Budget for the respective Fiscal Year
(3) Consultants' services under Part 3.5 of the Project	100,000	Such percentage as shall be specified in the Annual Work Plan and Budget for the respective Fiscal Year
(4) Sub-grants	100,000	Such percentage as shall be specified in the Annual Work Plan and Budget for the respective Fiscal Year
(5) Unallocated	100,000	
<b>TOTAL AMOUNT</b>	<b>2,700,000</b>	

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for:
  - (a) payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$500,000

equivalent may be made for payments for Eligible Expenditures made prior to this date but on or after March 1, 2009;

- (b) civil service staff salaries under Category (2) unless: (i) the Recipient has adopted the policy referred to in Section I.G(i) of this Schedule; and (ii) such salaries are provided in accordance with the provisions of the implementation and financing plan adopted by the Recipient for the respective Fiscal Year referred to in Section I.G(ii) of this Schedule;
- (c) consultants' services under Category (3) provided after February 28, 2010; and
- (d) Sub-grants under Category (3) unless: (i) the Recipient has contracted the Sub-grants Evaluation Agent in accordance with the provisions of Section III of this Schedule, with qualifications, experience and terms of reference satisfactory to the Association; (ii) the Recipient has adopted the Sub-grants Manual, in form and substance satisfactory to the Association; and (iii) in respect of each Sub-grant, the Sub-grant has been made in accordance with the criteria, procedures and terms and conditions set forth or referred to in Section I.H of this Schedule and the Sub-grants Manual and has been approved by the PFM Oversight Committee, subject to the Association's no-objection.

2. The Closing Date is July 31, 2013.

**APPENDIX****Section I. Definitions**

1. “Annual Work Plan and Budget” means the plan and budget referred to in Section I.F 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.
3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
4. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
5. “Fiscal Year” means the Recipient’s fiscal year commencing January 1 and ending December 31 of each year
6. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006).
7. “ICT” means information and communications technologies.
8. “IFMIS” means the Recipient’s integrated financial management information system.
9. “MDAs” means the Recipient’s ministries, departments and agencies.
10. “MOFED” means the Recipient’s Ministry of Finance and Economic Development.
11. “NPPA” means the Recipient’s National Public Procurement Authority.
12. “NSA” means a non-state actor, established and operating under the laws of the Recipient as a not-for-profit legal entity.
13. “Operating Costs” means the operating costs incurred for the purposes of the implementation of the Project including maintenance of vehicles and equipment, fuel, office supplies, utilities, consumables, bank charges, advertising expenses, travel, per diems, accommodation, and salaries of selected support

staff, but excluding salaries of consultants and salaries of officials of the Recipient's civil service.

14. "PEFA" means the Public Financial Management Performance Measurement Framework prepared by the Secretariat of the Public Expenditure and Financial Accountability (PEFA) Program and dated June 2005.
15. "PETS" means public expenditure tracking survey.
16. "PFM" means public financial management.
17. "PFM Oversight Committee" means the committee referred to in Section I.A of Schedule 2 to this Agreement.
18. "Procurement Guidelines" means the "Guidelines: Procurement under IBRD Loans and IDA Credits" published by the Bank in May 2004 and revised in October, 2006.
19. "Procurement Plan" means the Recipient's procurement plan for the Project, dated May 1, 2009 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.
20. "Project Administration Unit" and "PAU" mean the team referred to in Section I.C of Schedule 2 to this Agreement.
21. "Project Implementation Manual" and "PIM" mean the Recipient's Project Implementation Manual referred to in Section I.E.1 of Schedule 2 to this Agreement.
22. "Sierra Leone Gazette" means the Recipient's state gazette.
23. "Sub-grant" means a grant made or proposed to be made out of the proceeds of the Financing by the Recipient to an NSA for the purpose of financing the reasonable costs of goods or services required for a Subproject in accordance with the provisions of Section I.H of Schedule 2 to this Agreement.
24. "Sub-grant Agreement" means an agreement entered into, or to be entered into, between the Recipient and an NSA, for the purpose of extending a Sub-grant to such NSA on the terms and conditions set forth or referred to in Section I.H.3 of Schedule 2 to this Agreement.
25. "Sub-grants Evaluation Agent" means a firm or individuals to be recruited by the Recipient in accordance with the provisions of Section I.D of Schedule 2 to this Agreement to assist the Recipient in appraising Subprojects.

26. “Sub-grants Manual” means the manual referred to in Section I.E.2 of Schedule 2 to this Agreement
27. “Subproject” means a set of specific activities carried out or to be carried out by an NSA under Part 3.4 of the Project, and financed or proposed to be financed out of the proceeds of the Financing through a Sub-grant.
28. “Training, Study Tours and Workshops” means the costs associated with the participation of personnel involved in Project supported activities in training activities, study tours and workshops, including travel and subsistence costs for training, study tour and workshop 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, study tour or workshop preparation and implementation.
29. “Trust Fund Grant Agreement” means the agreement of the same date as this Agreement between the Recipient and the Association, acting as an administrator of grant funds to be provided by the United Kingdom Department for International Development, the European Commission and any other donor(s) to the Multi-Donor Trust Fund for Sierra Leone Integrated Public Financial Management Reform Project (TF095389), to assist in the financing of the Project.