

Public Disclosure Authorized

OFFICIAL DOCUMENTS

GRANT NUMBER D1420-LR

Financing Agreement

(Third Poverty Reduction Support Development Policy Operation)

between

REPUBLIC OF LIBERIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated NOVEMBER 21, 2016

GRANT NUMBER D1420-LR

FINANCING AGREEMENT

AGREEMENT dated November 21, 2016, entered into between the REPUBLIC OF LIBERIA (“Recipient”) and the INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Association has decided to provide this financing on the basis, inter alia, of: (a) the actions which the Recipient has already taken under the Program and which are described in Section I.A of Schedule 1 to this Agreement; and (b) the Recipient’s maintenance of an adequate macroeconomic policy framework. The Recipient and the Association therefore hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

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

ARTICLE II — FINANCING

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equivalent to twenty-eight million seven hundred thousand Special Drawing Rights (SDR 28,700,000) (“Financing”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in support of the Program in accordance with Section II of Schedule 1 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Payment Dates are July 1 and January 1 in each year.
- 2.05. The Payment Currency is Dollar.
- 2.06. Without limitation upon the provisions of Section 4.08 of the General Conditions (renumbered as such pursuant to paragraph 3 of Section II of the Appendix to this Agreement and relating to *Cooperation and Consultation*), the Recipient shall promptly furnish to the Association such information relating to the provisions of this Article II as the Association may, from time to time, reasonably request.

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ARTICLE III — PROGRAM

- 3.01. The Recipient declares its commitment to the Program and its implementation. To this end, and further to Section 4.08 of the General Conditions:
- (a) the Recipient and the Association shall from time to time, at the request of either party, exchange views on the Recipient's macroeconomic policy framework and the progress achieved in carrying out the Program;
 - (b) prior to each such exchange of views, the Recipient shall furnish to the Association for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Association shall reasonably request; and
 - (c) without limitation upon the provisions of paragraphs (a) and (b) of this Section, the Recipient shall promptly inform the Association of any situation that would have the effect of materially reversing the objectives of the Program or any action taken under the Program including any action specified in Section I of Schedule 1 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

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

ARTICLE V — EFFECTIVENESS; TERMINATION

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

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ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient's Representative is its Minister responsible for Finance and Development Planning.

6.02. The Recipient's Address is:

Minister of Finance and Development Planning

Ministry of Finance and Development Planning
P.O. Box 10-9013
Broad Street
Monrovia
Republic of Liberia

6.03. The Association's Address is:

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

Telex:

Facsimile:

248423(MCI)

1-202-477-6391

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AGREED at Monrovia, Republic of Liberia, as of the day and year first above written.

REPUBLIC OF LIBERIA

By



Authorized Representative

Name: BOLMA S. KAMARA

Title: MINISTER

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative

Name: LARISA LESHCHENKO

Title: COUNTRY MANAGER

SCHEDULE 1

Program Actions; Availability of Financing Proceeds

Section I. Actions under the Program

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

1. The Recipient has facilitated the effective operation of its Financial Intelligence Unit through issuing: (a) *Regulation on Currency Transaction Reporting for Financial Institutions* (FIU/CBL/SR1A-CTR/02/2016); (b) *Regulation on Suspicious Transaction Reporting for Financial Institutions* (FIU/CBL/SR2A-STR/02/2016); (c) *Regulation for Further Distribution and Action on the UN List of Terrorists and Terrorist Groups* (FIU/OR1A-ER/02/2016); and (d) *Regulation Dealing with Cross-Border Transportation of Currency and Bearer Negotiable Instruments* (LRA/FIU/OR1-TCN/02/2016).
2. The Asset Disclosure Unit within the Recipient's Liberia Anti-Corruption Commission (LACC) has become operational as evidenced by the employment of an asset verification officer pursuant to an employment contract dated November 2, 2015.
3. The Recipient has completed merging of discretionary allowances and base pay for civil servants at levels 1-4 as evidenced by a Personnel Action Notice from the Recipient's Civil Service Agency to the Ministry of Finance and Development Planning, dated April 12, 2016, setting out the consolidated pay scale for each of the grades covered under levels 1-4.
4. The Recipient has, through its Civil Service Agency, improved civil service payroll management by: (a) completing the validation of all employees through biometric authentication; and (b) linking the human resource management information system (HRMIS) to the payroll system as evidenced by a letter and interim reports from the Civil Service Agency to the Ministry of Finance and Development Planning dated May 2, 2016.
5. The Recipient has prepared and published quarterly comprehensive Government finance statistics as set forth in the *Annual Fiscal Outturn Report for Fiscal Year 2013/2014* and the *Annual Fiscal Outturn Report for Fiscal Year 2014/2015*.
6. The Recipient has submitted to the General Auditing Commission its report on the *Annual Consolidated Fund for FY 2014/2015* for audit, with a view to improving internal budget controls.

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7. The Recipient's PPCC has approved and published minimum standards and a procurement accreditation system entitled *Design of a Procurement Professionalization System for Liberia* dated May 25, 2016, to certify procurement practitioners with a view to professionalizing public procurement.
8. The Recipient has: (a) issued a Petroleum Import License dated August 23, 2016, to LEC to import HFO to generate electricity for public service with its own generating plants; and (b) introduced an open and competitive procurement process for the importation of fuel for LEC's own generating plants, through LEC's Board Policy Resolution dated July 4, 2016, mandating all procurement of HFO for LEC's generation of electricity to be done through an international competitive bidding process.
9. The Recipient's Ministry of Education has adopted a framework for equitable resource allocation by region and pupil's poverty status, particularly with respect to the school grant scheme as evidenced in its briefing paper to cabinet entitled *Revision of the Framework for Equitable Allocation by Region and Pupil's Poverty Status with Respect to School Grant Scheme* dated May 6, 2016.
10. The Recipient's Ministry of Health has conducted a half-year budget execution review for FY2016 as evidenced in its report on *Absorptive Capacity of Funds at Ministry of Health* dated May 5, 2016, with a view to improving budget execution.

Section II. Availability of Financing Proceeds

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

Allocations	Amount of the Financing Allocated (expressed in SDR)
Single Withdrawal Tranche	28,700,000
TOTAL AMOUNT	28,700,000

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C. Withdrawal Tranche Release Conditions

No withdrawal shall be made of the Single Withdrawal Tranche unless the Association is satisfied:(a) with the Program being carried out by the Recipient; and (b) with the adequacy of the Recipient's macroeconomic policy framework.

D. Deposits of Financing Amounts. Except as the Association may otherwise agree:

1. all withdrawals from the Financing Account shall be deposited by the Association into an account designated by the Recipient and acceptable to the Association (the Deposit Account); and
2. the Recipient shall ensure that upon each deposit of an amount of the Financing into this account, an equivalent amount is accounted for in the Recipient's budget management system, in a manner acceptable to the Association.

E. Audit. The Recipient shall:

1. have the Deposit Account audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association;
2. furnish to the Association as soon as available, but in any case not later than the end of the Recipient's fiscal year, a certified copy of the report of such audit, of such scope and in such detail as the Association shall reasonably request, and make such report publicly available in a timely fashion and in a manner acceptable to the Association; and
3. furnish to the Association such other information concerning the Deposit Account and their audit as the Association shall reasonably request.

F. Excluded Expenditures. The Recipient undertakes that the proceeds of the Financing shall not be used to finance Excluded Expenditures. If the Association determines at any time that an amount of the Financing was used to make a payment for an Excluded Expenditure, the Recipient shall, promptly upon notice from the Association, refund an amount equal to the amount of such payment to the Association. Amounts refunded to the Association upon such otherwise specify pursuant to Section 3.03 (b) of the General Conditions.

G Closing Date. The Closing Date is June 30, 2017.

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03(b) of the General Conditions.

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APPENDIX

Section I. Definitions

1. "Civil Service Agency" or "CSA" means an independent agency established by the Recipient pursuant to *An Act Repealing the Public Employment Law and Amending the Executive Law to Create a Civil Service Agency* dated May 11, 1972, or its successor.
2. "Excluded Expenditure" means any expenditure:
 - (a) for goods or services supplied under a contract which any national or international financing institution or agency other than the Association or the Bank has financed or agreed to finance, or which the Association or the Bank has financed or agreed to finance under another credit, grant or loan;
 - (b) for goods included in the following groups or sub-groups of the Standard International Trade Classification, Revision 3 (SITC, Rev.3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev.3 (1986) (the SITC), or any successor groups or subgroups under future revisions to the SITC, as designated by the Association by notice to the Recipient:

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

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- (c) for goods intended for a military or paramilitary purpose or for luxury consumption;
 - (d) for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws of the Recipient or international agreements to which the Recipient is a party);
 - (e) on account of any payment prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and
 - (f) with respect to which the Association determines that corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Recipient or other recipient of the Financing proceeds, without the Recipient (or other such recipient) having taken timely and appropriate action satisfactory to the Association to address such practices when they occur.
3. Financial Intelligence Unit” means an autonomous agency responsible for receiving, requesting and conducting preliminary investigations in connection with money laundering, terrorist financing and other financial crimes, established and operating pursuant to the *Financial Intelligence Unit Act of 2012*, or its successor.
 4. “Fiscal Year” or “FY” means the fiscal year of the Recipient beginning on July 1 and ending June 30 of each year.
 5. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010, with the modifications set forth in Section II of this Appendix.
 6. “HFO” means Heavy Fuel Oils.
 7. “HRMIS” means the Recipient’s Human Resources Management Information System.
 8. “IPSAS” means the cash basis international public sector accounting standards.
 9. “Liberia Anti-Corruption Commission” or “LACC” means a government agency responsible for investigating and prosecuting corruption cases established and operating pursuant to the Anti-Corruption Act, August 28, 2008, or its successor.
 10. “Liberia Electricity Corporation” or “LEC” means a public utility responsible for producing and supplying economic and reliable electric power to the entire nation, established and operating pursuant to Liberia Electricity Corporation Act of July 12, 1973, or its successor.

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11. "PPCC" means the Recipient's Public Procurement and Concessions Commission established and operating pursuant to the Amendment and Restatement of the Public Procurement and Concessions Act, 2005, (approved on September 16, 2010) or its successor.
12. "Personnel Action Notice" means a notice issued by the CSA in connection with the employment of the Recipient's civil servants.
13. "Program" means the program of actions, objectives and policies designed to promote growth and achieve sustainable reductions in poverty and set forth or referred to in the letter dated September 7, 2016, from the Recipient to the Association declaring the Recipient's commitment to the execution of the Program, and requesting assistance from the Association in support of the Program during its execution.
14. "Single Withdrawal Tranche" means the amount of the Financing allocated to the category entitled "Single Withdrawal Tranche" in the table set forth in Part B of Section II of Schedule 1 to this Agreement.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

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

"Section 4.06. *Plans; Documents; Records*

... (c) The Recipient shall retain all records (contracts, orders, invoices, bills, receipts and other documents) evidencing expenditures

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under the Financing until two years after the Closing Date. The Recipient shall enable the Association's representatives to examine such records."

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

"Section 4.07. Program Monitoring and Evaluation

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

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

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

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

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

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

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

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