

The World BankINTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION1818 H Street N.W.
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CONFORMED

June 30, 2011

H.E. Augustine Kpehe Ngafuan
Minister of Finance
Ministry of Finance
P.O. Box 10-9013 Broad Street
Monrovia
Republic of Liberia

Re: IDF Grant No. TF099405
Republic of Liberia: PFM Strengthening and Reform
Coordination Project

Excellency:

In response to the request for financial assistance made on behalf of the Republic of Liberia (“Recipient”), I am pleased to inform you that the International Development Association (“World Bank”) proposes to extend to the Recipient a grant in an amount not to exceed four hundred ninety five thousand United States Dollars (U.S.\$495,000) (“Grant”) on the terms and conditions set forth or referred to in this letter agreement (“Agreement”), which includes the attached Annex, to assist in the financing of the project described in the Annex (“Project”). This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the Recipient may withdraw the Grant proceeds subject to the availability of such funds.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.

Please confirm the Recipient's agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the countersignature; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement within 90 days after the date of signature of this Agreement by the World Bank, unless the World Bank shall have established a later date for such purpose.

Very truly yours,
INTERNATIONAL DEVELOPMENT ASSOCIATION

By: Ohene Owusu Nyanin
Ohene Owusu Nyanin
Country Manager for Liberia
Africa Region

AGREED:
REPUBLIC OF LIBERIA

By: /s/ Augustine Kpehe Ngafuan
Authorized Representative
Name: Augustine Kpehe Ngafuan
Title: Minister of Finance
Date: June 30, 2011

Enclosures:

- (1) Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 31, 2010
- (2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006

Article I

Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank out of Various Funds dated July 31, 2010 (“Standard Conditions”) constitute an integral part of this Agreement.

1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement and the following terms have the following meaning:

(a) “IFMIS Grant” means the Letter Agreement signed between the Republic of Liberia and the International Development Association dated February 24, 2009 for the Integrated Financial Management Information System Project.

(b) “Project Financial Management Unit” and “PFMU” mean the Project Financial Management Unit established within MOF for purposes of financial management of the World Bank financed Projects under implementation in the Recipient’s territory.

Article II Project Execution

2.01. **Project Objectives and Description.** The objective of the Project is to support the strengthening of Public Finance Management (PFM) reforms coordination in the Recipient’s territory and improve the financial management systems and practices in line ministries and agencies. The Project consists of the following parts:

Part I: Upgrade of the Manual Accounting System and Historical Financial Records at the Recipient’s Ministries and Agencies (M&As)

(a) Provision of technical assistance for: (i) conducting a review of the Recipient’s public finance management legislations; and (ii) designing, developing, producing and testing manuals aimed at guiding the upgrade of the manual accounting system in place at the Recipient’s M&As.

(b) Provision of training to relevant M&As staff to: i) enable the application of the manuals developed in part I (a) above in day-to-day accounting and internal control work; and ii) to build in-house trainers capacities including the use of standard payment voucher forms, bank reconciliation templates, purchase orders and other customized key data entry forms.

(c) Carrying out a program of activities encompassing: (i) the transfer of the Recipient’s historical financial data for the past three to five years into the new Chart of Accounts (CoA) with the aim of ensuring comprehensive and harmonized information used for informed

economic decision-making; (ii) sensitization workshops for stakeholders across M&As to inform them on the benefits of the said transfer; and (iii) development of software for the translation of manually produced general ledger data using single entry system to a systems-based general ledger that uses double-entry accounting system.

Part II: Strengthening the Recipient's PFM Reform Coordination

Strengthening the capacity of the existing PFM reform Coordination Unit through carrying capacity building initiatives including, *inter alia*, stakeholders and outreach workshops, study tours to institutions and agencies with established good practice in PFM reforms, and upgrade of existing information technology resources.

Part III. External Audit

Carrying out two annual audits of the Grant activities.

2.02. ***Project Execution Generally.*** The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through its Ministry of Finance in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) 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 ("Anti-Corruption Guidelines"); and (c) this Article II.

2.03. ***Institutional and Other Arrangements.***

(a) The Recipient shall at all times during implementation of the Project maintain a steering committee ("Steering Committee") with a structure, functions and responsibilities acceptable to the World Bank, for purposes of overseeing the execution of the Project. The Steering Committee shall be chaired by the Deputy Minister of Finance (Expenditure and Debt Management).

(b) The Recipient shall at all times during implementation of the Project maintain the Project Financial Management Unit (PFMU) in the Ministry of Finance or any successor thereto acceptable to the World Bank to be responsible for the financial management aspect of the Project.

(c) Without limitation upon the provision of paragraph 2.02, the Recipient shall designate the current public financial management reform coordinator as project manager, under terms of reference satisfactory to the World Bank, to be responsible for *inter alia*: (i) the day to day management of the Project activities and (ii) providing monitoring and evaluation reports to the Steering Committee.

2.04. ***Project Monitoring, Reporting and Evaluation.*** (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of the indicators set forth below in paragraph (b) of this Section. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than one month after the end of the period covered by such report.

(b) The performance indicators referred to above in paragraph (a) consist of the following:

- (i) Percentage of M&As effectively using the accounting manual in their operations;
- (ii) trend analysis information in fiscal papers produced and published periodically; and
- (iii) plan put in place for implementing program-based budgeting in the Recipient's territory.

(c) The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six months after the Closing Date.

2.05. **Financial Management.** (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than forty five (45) days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for such period shall be furnished to the World Bank not later than six months after the end of such period.

2.06. **Procurement**

(a) General. All goods and services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

(i) Section I of the "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" published by the World Bank in January 2011 ("Procurement Guidelines"), in the case of goods, and non-consulting services;

(ii) Sections I and IV of the "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" published by the World Bank in January 2011 ("Consultant Guidelines") in the case of consultants' services; and

(iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines ("Procurement Plan").

(b) Definitions. The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or the Consultant Guidelines, as the case may be.

(c) Particular Methods of Procurement of Goods and Non-consulting Services

(i) Except as otherwise provided in sub-paragraph (ii) below, goods and non-consulting services shall be procured under contracts awarded on the basis of National Competitive Bidding subject to the following additional procedures:

(a) foreign bidders shall be allowed to participate in National Competitive Bidding procedures; (b) bidders shall be given at least one month to submit bids from the date of the invitation to bid or the date of availability of bidding documents, whichever is later; (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 Grant shall provide that: (i) the bidders, shall permit the World Bank, 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 World Bank; 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.

(ii) The following methods, other than National Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts specified in the Procurement Plan: (A) Shopping; and (B) Direct Contracting.

(d) Particular Methods of Procurement of Consultants' Services

(i) Except as otherwise provided in item (ii) below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) The following methods may be used for the procurement of consultants' services for those assignments which are specified in the Procurement Plan: (A) Quality-based Selection; (B) Selection under a Fixed Budget; (C) Least Cost Selection; (D) Selection based on Consultants' Qualifications; (E) Single-source Selection; (F) Selection of Individual Consultants; and (G) Sole Source Procedures for the Selection of Individual Consultants.

(e) Review by the World Bank of Procurement Decisions. The Procurement Plan shall set forth those contracts which shall be subject to the World Bank's Prior Review. All other contracts shall be subject to Post Review by the World Bank.

Article III
Withdrawal of Grant Proceeds

3.01. **Eligible Expenditures.** The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may 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 World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Grant Allocated (expressed in USD)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods and non-consulting services	79,255	100%
(2) Consultants’ services including audits	301,325	100%
(3) Training and workshops	114,420	100%
TOTAL AMOUNT	495,000	

For the purpose of this section, the term “Training and workshops” means the reasonable cost of the following expenditures incurred for training and workshops provided under the Project: (i) transportation costs and per diem of trainers and trainees, (ii) rental of training facilities; and (iii) preparation, acquisition, reproduction and distribution of training materials.

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is three years after the date of countersignature of this Agreement by the Recipient.

Article IV

Recipient’s Representative; Addresses

4.01. **Recipient’s Representative.** The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is its minister responsible for Finance.

4.02. **Recipient's Address.** The Recipient's Address referred to in Section 7.01 of the Standard Conditions is:

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

Cable:	Telex:	Facsimile:
_____	_____	231 226715

4.03. **World Bank's Address.** The World Bank's Address referred to in Section 7.01 of the Standard Conditions 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) or 64145 (MCI)	1-202-477-6391