

CONFORMED COPY

CREDIT NUMBER 3321-SL

Development Credit Agreement

(Economic Rehabilitation and Recovery Credit)

between

REPUBLIC OF SIERRA LEONE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated February 18, 2000

CREDIT NUMBER 3321-SL

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated February 18, 2000, between REPUBLIC OF SIERRA LEONE (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received a letter dated January 20, 2000, from the Borrower describing a program of actions, objectives and policies designed to achieve structural adjustment of the Borrower's economy] (hereinafter called the Program), declaring the Borrower's commitment to the execution of the Program, and requesting assistance from the Association in support of the Program during the execution thereof;

(B) the Borrower has carried out the measures and taken the actions described in Part A of Schedule 2 of this Agreement to the satisfaction of the Association;

(C) on the basis, inter alia, of the foregoing, the Association has decided in support of the Program to provide such assistance to the Borrower by making the Credit in three tranches as hereinafter provided; and WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985 (as amended through December 2, 1997), with the modifications thereof set forth below, (the General Conditions) constitute an integral part of this Agreement:

(a) Section 2.01, paragraph 12, is modified to read: "'Project" means the program/Program, referred to in the Preamble to the Development Credit Agreement, in support of which the Credit is made";

(b) Section 4.01 is modified to read: "Except as the Borrower and the Association shall otherwise agree, withdrawals from the Credit Account shall be made in the currency of the deposit account specified in Section 2.02 of the Development Credit Agreement."

(c) Section 5.01 is modified to read: "The Borrower shall be entitled to withdraw the proceeds of the Credit from the Credit Account in accordance with the provisions of the Development Credit Agreement and of these General Conditions."

(d) The last sentence of Section 5.03 is deleted.

(e) Section 9.06 (c) is modified to read:

"(c) Not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, the Borrower shall prepare and furnish to the Association a report, of such scope and in such detail as the Association shall reasonably request, on the execution of the program referred to in the Preamble to the Development Credit Agreement, the performance by the Borrower and the Association of their respective obligations under the Development Credit Agreement and the accomplishment of the purposes of the Credit."

(f) Section 9.04 is deleted and Sections 9.05, 9.06 (as modified above), 9.07 and 9.08 are renumbered, respectively, Sections 9.04, 9.05, 9.06, and 9.07.

(g) Section 11.01 is modified by replacing, in the second sentence, the word "radiogram" with the word "facsimile" and adding a new sentence at the end of the said Section to read: "Deliveries made by facsimile transmission shall also be confirmed by mail."

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "BSL" means the Bank of Sierra Leone;

(b) "Deposit Account" means the account referred to in Section 2.02 (b) of this Agreement;

(c) "First Tranche" means the amount of the proceeds of the Credit allocated to Category (1) in the table set forth in Schedule 1 to this Agreement;

(d) "Floating Tranche" means the amount of the proceeds of the Credit allocated to Category (3) in the table set forth in Schedule 1 to this Agreement, to be released by the Association on or after the date on which the conditions referred to in paragraph 4 of said Schedule 1 have been met;

(e) "LDP" means the Letter of Development Policy referred to in Paragraph (A) of the Preamble to this Agreement;

(f) "Personnel Roll" means the list of members of the Borrower's Civil Service, Police, Teachers, Prisons' Department and recipients of pensions;

(g) "Second Tranche" means the amount of the proceeds of the Credit allocated to Category (2) in the table set forth in Schedule 1 to this Agreement; and

(h) "Tranche" means any of the following tranches, namely, the First Tranche, the Second Tranche and the Floating Tranche.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to twenty one million nine hundred thousand Special Drawing Rights (SDR 21,900,000).

Section 2.02. (a) Subject to the provisions of paragraphs (b), (c) and (d) of this Section, the Borrower shall be entitled to withdraw the proceeds of the Credit from the Credit Account in support of the Program.

(b) The Borrower shall open, prior to furnishing to the Association the first request for withdrawal from the Credit Account, and thereafter maintain in BOSL, a deposit account in dollars on terms and conditions satisfactory to the Association. All withdrawals from the Credit Account shall be deposited by the Association into the Deposit Account.

(c) Subject to the provisions of paragraph (d) of this Section, the Borrower shall be entitled to use the proceeds of the Credit withdrawn from the Credit Account and deposited in the Deposit Account in support of the Program.

(d) The Borrower undertakes that the proceeds of the Credit shall not be used to finance expenditures excluded pursuant to the provisions of Schedule 1 to this Agreement. If the Association shall have determined at any time that any proceeds of the Credit shall have been used to make a payment for an expenditure so excluded, the Borrower shall, promptly upon notice from the Association, (i) deposit into the Deposit Account an amount equal to the amount of said payment, or (ii) if the Association shall so request, refund such amount to the Association. Amounts refunded to the Association upon such request shall be credited to the Credit Account for cancellation.

Section 2.03. The Closing Date shall be June 30, 2001 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty (60) days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit account or cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment and service charges shall be payable semiannually on January 15 and July 15 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each January 15 and July 15 commencing July 15, 2010 and ending January 15, 2040. Each installment to and including the installment payable on January 15, 2020 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three (3) consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by the Association of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by: (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six (6) months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five (5) years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(d) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

Section 2.09. BOSL is designated as representative of the Borrower for the purposes of taking any action required to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions.

ARTICLE III

Particular Covenants

Section 3.01. (a) The Borrower and the Association shall from time to time, at the request of either party, exchange views on the progress achieved in carrying out the Program and the actions specified in Schedule 2 to this Agreement.

(b) Prior to each such exchange of views, the Borrower 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.

(c) Without limitation upon the provisions of paragraph (a) of this Section, the Borrower shall exchange views with the Association on any proposed action to be taken after the disbursement of the Credit which would have the effect of materially reversing the objectives of the Program, or any action taken under the Program, including any action specified in Schedule 2 to this Agreement.

Section 3.02. Upon the Association's request, the Borrower shall:

(a) have the Deposit Account audited in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the

Association;

(b) furnish to the Association as soon as available, but in any case not later than six (6) months after the date of the Association's request for such audit, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

(c) furnish to the Association such other information concerning the Deposit Account and the audit thereof as the Association shall have reasonably requested.

ARTICLE IV

Additional Event of Suspension

Section 4.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional event is specified, namely, that a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

ARTICLE V

Termination

Section 5.01. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VI

Representative of the Borrower; Addresses

Section 6.01. Except as provided in Section 2.09 of this Agreement, the Minister of Finance of the Borrower is designated as the representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

The Financial Secretary
Ministry of finance
Freetown
Sierra Leone

Cable address:

MINFIN Freetown

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

248423 (MCI) or
64145 (MCI)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF SIERRA LEONE

By /s/ John Leigh

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Jean-Louis Sarbib

Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of
the Credit and Excluded Expenditures

1. Subject to the provisions set forth or referred to in this Schedule, the table below sets forth the amounts allocated to specific Tranches to be withdrawn from the Credit Account:

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) First Tranche	11,000,000	100%
(2) Second Tranche	7,300,000	100%
(3) Floating Tranche	3,600,000	100%
TOTAL	21,900,000	

2. For purposes of Section 2.02 (c) of this Agreement, the proceeds of the Credit shall not be used to finance any of the following expenditures:

(a) expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower;

(b) expenditures for goods or services supplied under a contract which any national or international financing institution or agency other than the Bank or the Association shall have financed or agreed to finance, or which the Bank or the Association shall have financed or agreed to finance under another credit or a loan;

(c) expenditures for goods included in the following groups or subgroups of the Standard International Trade Classification, Revision 3 (SITC, Ref.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 Borrower:

Group	Subgroup	Description of Items
112	-	Alcoholic beverages
121	-	Tobacco, unmanufactured, 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)

(d) expenditures for goods intended for a military or paramilitary purpose or for luxury consumption;

(e) environmentally hazardous goods (for purposes of this paragraph the term "environmentally hazardous goods" means goods, the manufacture, use or import of which is prohibited under the laws of the Borrower or under international agreements to which the Borrower is a party, and any goods designated as environmentally hazardous by agreement between the Borrower and the Association);

(f) expenditures: (i) in the territories of any country which is not a member of the Bank or for goods procured in, or services supplied from, such territories; or (ii) on account of any payment to persons or entities, or any import of goods, if such payment or import is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and

(g) expenditures under a contract in respect of which the Association determines that corrupt or fraudulent practices were engaged in by representatives of the Borrower or of a beneficiary of the Credit during the procurement or execution of such contract, without the Borrower having taken timely and appropriate action satisfactory to the Association to remedy the situation.

3. No withdrawal shall be made from the Credit Account under Category (2) of the table in paragraph 1 of this Schedule unless the amount specified in Category (1) has been withdrawn by the Borrower and the Association shall be satisfied after an exchange of views as described in Section 3.01 of this Agreement based on evidence satisfactory to the Association:

(i) with the fulfillment of the requirements of Part A of Schedule 2 to this Agreement; and

(ii) that the actions described in Part B of Schedule 2 of this Agreement have been taken in form and substance satisfactory to the Association.

4. Notwithstanding the provisions of paragraph 3 above, withdrawals may be made by the Borrower in respect of Category (3) of the table in paragraph 1 of this Schedule at any time when the Association shall be satisfied after an exchange of views as described in Section 3.01 of this Agreement, based on evidence satisfactory to the Association, that the requirements of Part A of Schedule 2 to this Agreement have been fulfilled, and in addition with respect to said Category (3), the actions described in Part C of Schedule 2 to this Agreement have been taken in form and substance satisfactory to the Association.

5. If after any of the exchange of views referred to in paragraphs 3 and 4 above, the Association shall have given notice to the Borrower that the requirements of Part A of Schedule 2 to this Agreement, or the actions taken under Parts B or C of Schedule 2 to this Agreement, as the case may be, are not satisfactory and, within ninety (90)

days after such notice, the Borrower shall not have met the requirements of Part A of said Schedule 2 or taken the actions under Parts B or C of said Schedule 2, as the case may be, then the Association may, by notice to the Borrower, cancel the unwithdrawn amount of the Credit or any part thereof.

SCHEDULE 2

Actions Referred to in Paragraphs 3, 4 and 5 of Schedule 1 to this Agreement

Part A: General Requirements for Tranche Releases

1. The Association is satisfied with the progress achieved by the Borrower in the carrying out of the Program; and
2. The macroeconomic policy framework of the Borrower is satisfactory, as measured on the basis of indicators agreed between the Borrower and the Association.

Part B: Specific Conditions for the Release of the Second Tranche

1. The Borrower has, consistent with the provisions of paragraph 24 of the LDP:
 - (a) prepared and adopted a domestic arrears settlement plan, satisfactory to the Association, including details of a duly validated arrears to the private suppliers accrued since March 1998; and
 - (b) prepared a manual of procedures, satisfactory to the Association, to be utilized in the implementation of the domestic arrears settlement plan referred to in paragraph 1 (a) of this Part B.
2. The Borrower has:
 - (a) produced a budget monitoring report, satisfactory to the Association, at the activity level for every region for at least the first quarter of FY2000 (including a payroll monitoring report at program level) which shall for (i) cover key ministries and departments, including the Ministries and Departments, as the case may be, of hHealth, eEducation, Works, agriculture, social welfare, Police and Prisons; and (ii) include a payroll monitoring report at the said activity level;
 - (b) conducted, in a manner consistent with Paragraph 32 of the LDP: (i) a user benefitbase-line service delivery survey, satisfactory to the Association, within the Borrower's existing [Strategic Planning and Action Process SPP] framework to provide initial conditions and baseline data to be used for monitoring improvements in service delivery; and (ii) on a selective basis, focus groups to determine levels of improvement in service delivery;
 - (c) in accordance with paragraph 33 of the LDP: (i) adopted a national anti-corruption strategy, satisfactory to the Association; and (ii) enacted an anti-corruption law to give effect to said strategy; and
 - (d) to the satisfaction of the Association: (i) concluded an exercise, satisfactory to the Association, for the validation and verification of the personnel Personnel Roll; and finalized (ii) finalized the computerization of the personnel database to the satisfaction of the Association.

Part C: Specific Conditions for the Release of the Floating Tranche

The Borrower has:

- (a) published financial and performance indicators, satisfactory to the Association, covering the first quarter of FY2000, satisfactory to the Association, offor the following public enterprises, namely: (i) Guma Valley Water Company; (ii) National Power Authority; (iii) Sierra Leone Telecommunications Company; (iv) Sierra Leone Postal Services; (v) Sierra Leone Ports Authority; (vi) Sierra Leone Housing Corporation; and (vii) Sierra Leone State Lottery; all public enterprises for the last quarter of 1999;

(b) in accordance with paragraph 26 of the LDP, prepared a strategic plan, satisfactory to the Association, providing for the treatment of on the basis of terms of reference satisfactory to the Association, of the all remaining public enterprises remaining in the Borrower's portfolio; on the basis of terms of reference satisfactory to the Association; and

(c) secured the approval of Cabinet the Borrower has prepared implementation modalities, timetable and institutional arrangements, satisfactory to the Association, for for the carrying out of the strategic plan referred to in paragraph (b) of this Part C and has formally secured Cabinet approval of said strategy, including the modalities, timetable and institutional arrangements set forth therein. Cabinet approval for its prompt implementation.

