
GRANT NUMBER D694-SL

Financing Agreement

(West Africa Regional Energy Trade Development Policy Financing Program –
Sierra Leone)

between

REPUBLIC OF SIERRA LEONE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

GRANT NUMBER D694-SL

FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between the REPUBLIC OF SIERRA LEONE (“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) which supports the implementation of key reforms at the national level focusing on regional integration with the objective of increasing regional electricity trade in West Africa to increase energy security, reduce vulnerability to international oil price fluctuations and reduce the fiscal burden of the electricity sector.

WHEREAS (A) the Association has decided to provide this financing on the basis, *inter alia*, of: (i) the actions which the Recipient has already taken under the Program and which are described in Section I of Schedule 1 to this Agreement; and (ii) the Recipient’s maintenance of an adequate macroeconomic policy framework; and

(B) by a financing agreement to be entered into between the Association and each of Burkina Faso, the Republic of Côte d’Ivoire, the Republic of Guinea, the Republic of Mali and the Republic of Liberia (along with the Recipient, collectively and indistinctively the “Participating Countries”), the Association will extend to the Participating Countries financial assistance to support them in financing part of the cost of activities related to the Program to support the implementation of policies and reforms that the Economic Community of West African States countries have determined key for cementing the pillars of sustainable electricity trade.

NOW THEREFORE 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) apply to and form part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — GRANT

- 2.01. The Association agrees to extend to the Recipient a grant, which is deemed as Concessional Financing for purposes of the General Conditions, in an amount equivalent to eighteen million three hundred thousand Special Drawing Rights (SDR 18,300,000) (“Grant”).

- 2.02. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Grant Balance.
- 2.03. The Payment Dates are February 15 and August 15 in each year.
- 2.04. The Payment Currency is the Dollar.
- 2.05. Without limitation upon the provisions of Section 5.05 of the General Conditions, 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.

ARTICLE III — PROGRAM

- 3.01. The Recipient declares its commitment to the Program and its implementation. To this end, and further to Section 5.05 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 Conditions 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 Signature Date.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

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

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

(a) the Recipient's address is:

Ministry of Finance
Treasury Building
George Street
Freetown
Republic of Sierra Leone

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

(a) the Association's address is:

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

(b) the Association's Electronic Address is:

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

AGREED as of the Signature Date.

REPUBLIC OF SIERRA LEONE

By



Authorized Representative

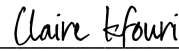
Name: Jacob Jusu Saffa

Title: Minister of Finance

Date: 12-Aug-2020

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative

Name: Claire Kfourri

Title: Acting Regional Director

Date: 11-Aug-2020

SCHEDULE 1

Program Actions; Availability of Grant Proceeds

Section I. Actions Taken Under the Program

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

1. The Recipient has mandated the use of the specific agreed-upon principles based on the ERETA models of contract template/framework for all future sale and purchase of cross-border electricity, as evidenced by the publication in the website of its Ministry of Energy of the directive from the Recipient's Cabinet of Ministers dated April 30, 2020, signed by the Recipient's Minister of Energy.
2. The Recipient has amended the Interim Sector Collection Account Manual to grant the same level of priority of payments to imports as it is granted to IPPs, thereby supplementing the provisions of the National Electricity (Amendment) Act, 2018, which authorizes the Collection Account for EDSA.
3. The Recipient has: (i) mandated for any project that increases electricity generation capacity the previous publication of an economic justification which considers regional options, as evidenced by the publication in the website of its Minister of Energy of the directive from the Recipient's Minister of Energy dated April 30, 2020; and (ii) advanced the preparation of the draft Least Cost Generation Development Plan and established the next steps and dates towards the finalization thereof, as evidenced by the letter from the Recipient's Minister of Energy dated April 23, 2020.
4. The Recipient has mandated the use of the regional regulations laid down by ERETA covering the interconnected power systems of the WAPP with respect to: (i) the use of the West African Power Pool Operating Manual; and (ii) the adoption of the Transmission Tariff Methodology for the West African Power Pool, as evidence by the publication in the website of its Minister of Energy of the directive from the Recipient's Minister of Energy dated April 30, 2020.
5. The Recipient has: (i) through its Minister of Energy, formally approved, as per the Cabinet Decision dated March 18, 2020, the Recovery Plan, including the methodology and periodicity of future updates; and (ii) established the process of periodic reporting to ERETA on the Recovery Plan, as evidence by the publication in the website of its Minister of Energy of the directive from the Recipient's Cabinet of Ministers dated April 30, 2020, signed by the Minister of Energy.

Section II. Availability of Grant Proceeds

- A. General.** The Recipient may withdraw the proceeds of the Grant 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 Grant Amounts.** The Grant is allocated in a single withdrawal tranche, from which the Recipient may make withdrawals of the Grant proceeds. The allocation of the amounts of the Grant to this end is set out in the table below:

Allocations	Amount of the Grant Allocated (expressed in SDR)
(1) Single Withdrawal Tranche	18,300,000
TOTAL AMOUNT	18,300,000

C. Withdrawal Tranche Release Conditions.

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

D. Deposit of Grant Amounts.

1. Notwithstanding the provisions of Section 2.03 of the General Conditions:
- (a) the Recipient shall open, prior to furnishing to the Association the first request for withdrawal from the Grant Account, and thereafter maintain the following two dedicated accounts on terms and conditions satisfactory to the Association: (i) a dedicated account in Dollars (“Foreign Currency Dedicated Account”); and (ii) a dedicated account in Sierra Leonean Leone (“Local Currency Dedicated Account”); and
 - (b) all withdrawals from the Grant Account shall be deposited by the Association into the Foreign Currency Dedicated Account. Upon each deposit of an amount of the Grant into the Foreign Currency Dedicated Account, the Recipient shall deposit an equivalent amount into the Local Currency Dedicated Account.
2. The Recipient, within thirty (30) days after the withdrawal of the Grant from the Grant Account, shall report to the Association: (i) the exact sum received into the Foreign Currency Dedicated Account; (ii) the details of the account to which the Sierra Leonean Leone equivalent of the Grant proceeds will be credited; (iii) the

record that an equivalent amount has been accounted for in the Recipient's budget management systems; and (iv) the statement of receipts and disbursement of the Foreign Currency Dedicated Account.

E. Audit.

Upon the Association's request, the Recipient shall:

1. have the Dedicated Accounts 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 six (6) months after the date of the Association's request for such audit, 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 Dedicated Accounts and their audit as the Association shall reasonably request.

F. Closing Date. The Closing Date is June 30, 2021.

APPENDIX

Definitions

1. “Collection Account” means the Recipient’s electricity sector-wide collection account including a sector cash flow management system.
2. “Dedicated Accounts” means both the Foreign Currency Dedicated Account and the Local Currency Dedicated Account (as both are hereinafter defined).
3. “EDSA” means the Recipient’s Electricity Distribution and Supply Authority vested with the responsibility of efficiently managing a modern electricity distribution and supply network that is safe, affordable, sustainable and competitive for domestic, commercial and industrial consumers nationwide.
4. “ERERA” means the ECOWAS Regional Electricity Regulatory Authority, the regional regulator for cross-border electricity interconnections in West Africa.
5. “Foreign Currency Dedicated Account” means the account referred to in Part D.1(a)(i) of Section II of Schedule 1 to this Agreement to be opened by the Recipient in the Bank of Sierra Leone.
6. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Development Policy Financing”, dated December 14, 2018.
7. “Interim Sector Collection Account Manual” means the manual dated April 30, 2020, which describes the process and procedures for the management of the Collection Account.
8. “IPPs” means independent power producers.
9. “Least Cost Generation Development Plan” means plan to be prepared by the Recipient setting forth a realistic guide as to how demand for electricity can be met in the medium and long-term at a minimized cost.
10. “Local Currency Dedicated Account” means the account referred to in Part D.1(a)(ii) of Section II of Schedule 1 to this Agreement.
11. “National Electricity (Amendment) Act, 2018” means the Recipient’s law dated March 1, 2018, which amends the Recipient’s National Electricity Act, 2011 dated December 30, 2011.
12. “Program” means: the program of objectives, policies, and actions set forth or referred to in the letter dated May 26, 2020, 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 and comprising actions taken, including those set forth in Section I of Schedule 1 to this Agreement, and actions to be taken consistent with the program's objectives.

13. "Recovery Plan" means the Recipient's plan dated May 1, 2020, setting forth the key measures required to achieve operational and financial recovery of the sector over a maximum horizon of approximately five years.
14. "Signature Date" means the later of the two dates on which the Recipient and the Association signed this Agreement and such definition applies to all references to "the date of the Financing Agreement" in the General Conditions.
15. "Single Withdrawal Tranche" means the amount of the Grant 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.
16. "Transmission Tariff Methodology for the West African Power Pool" means the regional regulation approved by EREDA on August 18, 2015, by its Resolution No. 006/EREDA/15 on "Adoption of the Tariff Methodology for Regional Transmission Cost and Tariff".
17. "WAPP" means the West African Power Pool, the international organization that associates all public and private power entities in the member states of the Economic Community of the West African States.
18. "West African Power Pool Operating Manual" means the operating manual approved by EREDA on September 29, 2015, by its Decision No. 007/EREDA/15 on "Adopting the Operating Manual for the West African Power Pool".