August 9, 2010

H.E. Danny Faure
Vice President and Minister for Finance
Ministry of Finance
P.O. Box 313 Liberty House
Victoria, Mahe
Republic of Seychelles

Dear Hon. Minister:

Republic of Seychelles: IDF Grant for Public Administration Reform and Fiscal Impact Capacity Building Project (IDF Grant No. TF097289)

In response to the request for financial assistance made on behalf of the Republic of Seychelles ("Recipient"), I am pleased to inform you that the International Bank for Reconstruction and Development ("World Bank") proposes to extend to the Recipient a grant from the World Bank’s Institutional Development Fund ("IDF") in an amount not to exceed four hundred and twenty five thousand eight hundred United States Dollars (US$425,800) ("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").

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effective as of the date of the countersignature; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement within 90 days after the date of signature of this Agreement by the World Bank,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.
H.E Danny Faure

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By: /s/ Constantine Chikosi
Acting Country Director
Comoros, Madagascar, Mauritius and Seychelles
Africa Region

AGREED:

REPUBLIC OF SEYCHELLES

By__________________________
Authorized Representative
Name: /s/ Danny Faure

Title: Vice President and Minister for Finance

Date: August 25, 2010

Enclosures:

(2) Disbursement Letter of even date together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006
ANNEX

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 1, 2008 (“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 additional terms have the following meaning:

1. “Department of Public Administration” or “DPA” means the specialized unit in the Office of the Vice Presidency responsible for public administration.

2. “Ministry of Finance” or “MoF” means the Recipient’s ministry responsible for finance.

3. “Public Sector Reform Program” or “PSRP” means the Recipient’s program aimed at supporting public sector reform activities.

4. “Public Administration Reform Task Force” means the committee of the Recipient established to oversee the implementation of the Public Sector Reform Program.

5. “Seychelles Institute of Management” or “SIM” means the Recipient’s institution of learning established by the Seychelles Institute of Management Act, 2006, and dedicated to training government staff in management skills, and undertaking consultancy, policy and research.

Article II

Project Execution

2.01. **Project Objectives and Description.** The objective of the Project is to enhance the capacity of the Recipient to effectively manage the implementation of the Public Sector Reform Program.

The Project consists of the following parts:

Part 1. Support for the implementation of the Public Sector Reform Program

(a) Developing a comprehensive learning program including learning materials to enhance skills in public sector reforms through training of trainers and the provision of technical advisory services.

(b) Strengthening the capacity of the Recipient in change management, monitoring and evaluation and project planning and management through provision of training, coaching, peer to peer learning and advisory support to the relevant staff of the Recipient including those of the DPA, SIM and the PSRP Steering Committee.
(c) Developing tools and implementing a learning program to enhance technical skills of relevant staff of the Recipient, including those in MoF and the budget, policy and planning departments of sectoral ministries, in critical areas including fiscal and social impact assessment of planned reforms, the design of alternative service delivery modalities and compliance inspection and auditing.

(d) Developing operational manuals to guide the designing of public private partnerships for alternative service delivery and the carrying out of fiscal and social impact assessments.

Part 2. Strengthening the capacity for reform management

(a) Enhancing the reform management capacity of relevant staff of the Recipient including those in the MoF through coaching, networking and provision of training in participatory planning, monitoring and evaluation, reporting and other core skills.

(b) Carrying out research and fiscal impact simulation analysis, including on, but not limited to the emerging pay policy.

(c) Enhancing the capacity of the relevant staff of the Recipient to carry out policy fiscal impact simulation and analysis through coaching, development of learning modules and training.

Part 3. Audit

Undertaking an audit on the Project.

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 the Department of Public Administration 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 (“Anti-Corruption Guidelines”), with the modifications set forth in the Appendix to this Agreement; and (c) this Article II.

2.03. Institutional and Other Arrangements

A. Institutional Arrangements

Ministry of Finance

1. The Ministry of Finance shall be responsible for the overall coordination of the Project.

Director for Public Administration

2. The Recipient shall maintain throughout Project implementation, a Director for Public Administration at the Vice Presidency with qualifications, experience, resources and terms of reference satisfactory to the World Bank.
3. Without limitation upon the provisions of paragraph 2 of this Section, the Director for Public Administration shall be responsible for overall Project coordination and management.

Department of Public Administration

4. The Recipient shall maintain throughout Project implementation, a Department of Public Administration at the Vice Presidency with staffing, resources and terms of reference satisfactory to the World Bank.

5. Without limitation upon the provisions of paragraph 4 of this Section, the Department of Public Administration under the leadership of the Director of Public Administration shall undertake the day-to-day administration of the Project including financial management, procurement and reporting.

B. Other Arrangements

6. In implementing Parts 1 and 2 of the Project, the Department of Public Administration shall work closely with the Seychelles Institute of Management as appropriate.

2.04. Project Monitoring, Reporting and Evaluation. (a) The Recipient shall monitor and evaluate the progress of the Project and, upon the World Bank’s request, 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 such period as shall be indicated in the World Bank’s request and shall be furnished to the World Bank not later than one month after the date of such request.

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

(i) At least 18 of the 36 measures in the Memorandum of Action on PAR reforms implemented; and

(ii) SIM introduces fiscal impact analysis of policies in the syllabus.

(c) The Recipient shall, upon the World Bank’s request, 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 five (5) 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 as part of the Project Report not later than forty-five (45) days after the end of each quarter, covering the quarter, in form and substance satisfactory to the World Bank.
2.07. Financial Statements

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Such 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 World Bank not later than six (6) 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 (excluding paragraph 1.16) of the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the World Bank in May 2004 and revised in October 2006 and May 2010 (“Procurement Guidelines”), in the case of goods; and

(ii) Section I (excluding paragraph 1.24) and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the World Bank in May 2004 and revised in October 2006 and May 2010 (“Consultant Guidelines”) in the case of consultants’ services.

(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. Goods shall be procured under contracts awarded on the basis of Shopping.

(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 the World Bank agrees meet the requirements set forth in the Consultant Guidelines for their use: (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. Except as the World Bank shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the World Bank: (a) the first contract to be awarded in accordance with each procurement method (b) each contract for consultants’ services provided by a firm estimated to cost the equivalent of $100,000.00 or more, (c) each contract for consultants’ services provided by an individual consultant estimated to cost the equivalent of $50,000.00 or more, (d) all direct
contracting and single source consultancy contracts, and (e) Training Plan. 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) Article III of 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 allocation of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consultants’ Services (including Audit in Part 3 of the Project)</td>
<td>403,800</td>
<td>100%</td>
</tr>
<tr>
<td>Training and Workshops</td>
<td>16,500</td>
<td>100%</td>
</tr>
<tr>
<td>Goods and Equipment</td>
<td>5,500</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Total Amount</strong></td>
<td><strong>425,800</strong></td>
<td></td>
</tr>
</tbody>
</table>

For the purposes of this Section, the term “Training and Workshops” means reasonable expenditures, based on an annual budget previously approved by the World Bank, incurred on account of seminars, workshops and study tours including travel and subsistence costs for training participants, costs associated with securing the services of trainers, rental of training facilities, preparation and reproduction of training materials, and other activities incidental to the preparation and implementation of training activities but excluding consultants’ services.

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

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

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

P.O. Box 313  
Liberty House  
Victoria, Mahé  
Seychelles  

Facsimile:  
248-22 58 93

5.03. **World Bank’s Address.** The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

International Bank for Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable: INTBAFRAD  
Telex: 248423 (MCI) or 1-202-477-6391  
Facsimile: 64145 (MCI)

APPENDIX

Modifications to the Anti-Corruption Guidelines

The modifications to the Anti-Corruption Guidelines are as follows:

1. Section 5 is re-numbered as Section 5(a) and a new Section 5(b) is added to read as follows:

“(b) These Guidelines also provide for the sanctions and related actions to be imposed by the Bank on Borrowers (other than the Member Country) and all other individuals or entities who are recipients of Loan proceeds, in the event that the Borrower or the individual or entity has been debarred by another financier as a result of a determination
2. Section 11(a) is modified to read as follows:

“… (a) sanction in accordance with prevailing Bank’s sanctions policies and procedures (fn13) a Borrower (other than a Member Country) (fn 14) or an individual or entity, including (but not limited to) declaring such Borrower, individual or entity ineligible publicly, either indefinitely or for a stated period of time: (i) to be awarded a Bank-financed contract; (ii) to benefit from a Bank-financed contract, financially or otherwise, for example as a sub-contractor; and (iii) to otherwise participate in the preparation or implementation of the project or any other project financed, in whole or in part, by the Bank, if at any time the Bank determines (fn 15) that such Borrower, individual or entity has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in connection with the use of loan proceeds, or if another financier with which the Bank has entered into an agreement for the mutual enforcement of debarment decisions has declared such person or entity ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

Footnotes:

“13. An individual or entity may be declared ineligible to be awarded a Bank financed contract upon completion of sanctions proceedings pursuant to the Bank’s sanctions policies and procedures, or under the procedures of temporary suspension or early temporary suspension in connection with an ongoing sanctions proceeding, or following a sanction by another financier with whom the Bank has entered into a cross debarment agreement, as a result of a determination by such financier that the firm or individual has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

“14. Member Country includes officials and employees of the national government or of any of its political or administrative subdivisions, and government owned enterprises and agencies that are not eligible to bid under paragraph 1.8(b) of the Procurement Guidelines or participate under paragraph 1.11(c) of the Consultant Guidelines.”

“15. The Bank has established a Sanctions Board, and related procedures, for the purpose of making such determinations. The procedures of the Sanctions Board sets forth the full set of sanctions available to the Bank. In addition, the Bank has adopted an internal protocol outlining the process to be followed in implementing debarments by other financiers, and explaining how cross-debarments will be posted on the Bank’s website and otherwise be made known to staff and other stakeholders.”