Financing Agreement

(Local Governance and Service Delivery Project)

between

REPUBLIC OF SOUTH SUDAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated November 14, 2013
AGREEMENT dated November 14, 2013, entered into between REPUBLIC OF SOUTH SUDAN ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association").

WHEREAS (A) certain Donors intend to make available to the Recipient under the Local Governance and Service Delivery (LGSD) Trust Fund Co-financing ("Co-financing"), to assist in the financing of the Project on the terms and conditions set forth in agreements to be entered into between the Recipient and the Association, acting as administrator of the LGSD Trust Fund ("Co-financing Agreements");

(B) the Association has agreed, on the basis of the foregoing, inter alia, to extend the Credit to the Recipient upon the terms and conditions set forth in this Agreement;

NOW THEREFORE, the Recipient and the Association 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 credit in an amount equivalent to thirty-two million five hundred thousand Special Drawing Rights (SDR 32,500,000) (variously, "Credit" and "Financing") to assist in financing the project described in Schedule 1 to this Agreement ("Project").

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.

2.05. The Payment Dates are April 15 and October 15 in each year.

2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

2.07. The Payment Currency is United States Dollars.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objective of the Project described in Schedule 1 to this Agreement ("Project"). To this end, the Recipient shall carry out the Project, through the Ministry of Finance and Economic Planning (MoFCIEP) and the Local Government Board (LGB), in accordance with the provisions of Article IV of the General Conditions.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

4.01. The Co-Financing Deadline for the effectiveness of the Co-Financing Agreements contemplated in the Preamble to this Agreement shall be February 21, 2014. The provisions of this sub-paragraph shall not apply if the Recipient establishes to the satisfaction of the Association that adequate funds for the Project are available from other sources on terms and conditions consistent with its obligations under the Financing Agreement.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Conditions of Effectiveness consist of the following:

(a) The Recipient shall have prepared and adopted the Operations Manual, and the Local Government Public Financial Management Manual ("Local Government PFM Manual") in accordance with the provisions of Section I.B.1 of Schedule 2 to this Agreement.

(b) The Recipient shall have prepared the Annual Work Plan for the first year of Project implementation, in form and substance acceptable to the Association.
(c) The Recipient shall have established the Project Management Unit with a mandate, staffing and resources acceptable to the Association; and recruited the Project coordinator as well as financial management, procurement and safeguards specialists to be selected in accordance with the provisions Section III of Schedule 2 to this Agreement.

(d) The Recipient shall have prepared and adopted the ESMF, in accordance with the provisions of Section I.E.1 of Schedule 2 to this Agreement.

5.02. The Effectiveness Deadline is one hundred and twenty (120) days after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient’s Representative is its Minister or Deputy Minister of Finance and Economic Planning.

6.02. The Recipient’s Address is:

Minister of Finance, Commerce, Investment and Economic Planning
Ministry of Finance, Commerce, Investment and Economic Planning
P.O. Box 80
Juba, South Sudan

6.03. The Association’s Address is:

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

Cable: Telex: Facsimile:
INDEVAS 248423 (MCI) 1-202-477-6391
AGREED at [Juba, South Sudan, 11-14-2013], as of the day and year first above written.

REPUBLIC OF SOUTH SUDAN

[Stamp with date: 14 Nov 2013]

Authorized Representative
Name: Aggrey Tiso Sabuni
Title: Minister of Finance

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]
Authorized Representative
Name: BELLA BIRD
Title: Country Director
SCHEDULE 1

Project Description

The objective of the Project is to improve local governance and service delivery in participating Counties in South Sudan.

The Project consists of the following parts:

Part 1. Block Grants to Counties for Payam Development

Support to eligible Counties to incentivize community engagement in local development activities, assist with County capacity building and expand community access to service facilities through the provision of Payam Development Grants (PDGs) to local governments earmarked for Payam priorities. Such grants shall finance the implementation of specific community-driven Subprojects at Payam level and shall be selected from the investment menu set forth in the Operations Manual in the following sectors: sanitation, storm water management, roads, health and education, as well as construction or rehabilitation of public market places, improvements to existing (staffed) schools and health facilities; rehabilitation and repair of small scale community irrigation schemes, and livestock dips.

Part 2. Community Engagement

Support to the Recipient to contract a Coordinating Agency (CA) at national level and Facilitating Partners (FPs) to carry out a program of activities designed to facilitate and strengthen the engagement of communities in the planning, implementation and oversight of local development activities at Boma, Payam and County levels and to improve their access to social and economic infrastructure. Such activities shall be undertaken in an inclusive, participatory and conflict-sensitive manner with a particular focus on vulnerable groups. The program of activities shall include the following: (i) a communication campaign to disseminate information on Project objectives, processes and investments to all relevant stakeholders; (ii) a social and conflict analysis to map the social, ethnic and demographic composition of Bomas and Payams; (iii) a participatory process to establish or validate representative Boma Development Committees (BDCs) and Payam Development Committees (PDCs); (iv) a facilitated planning process involving BDCs, PDCs and government representatives to identify priority infrastructure investments; (v) participation of communities in management and oversight of local public infrastructure investments; (vi) harmonization of the community engagement approach by FPs across States, oversight of the implementation process, quality assurance, and basic remedial action; (vii) implementation of community engagement activities; and
(viii) establishment of a feedback and grievance mechanism accessible to community members.

Part 3. Institutional Strengthening

Support to State and County governments to increase their capacity to fulfill the roles and functions required for the effective implementation of local investment activities, through technical assistance and training, in selected areas such as: (i) participatory local development planning and budgeting; (ii) financial management; (iii) procurement; (iv) technical aspects of local infrastructure planning and implementation; (v) monitoring and reporting; (vi) environmental and social safeguards management; (vii) social accountability including feedback and grievance redress; and (viii) communication and information dissemination.

Part 4. Project Management

Support to the Recipient to establish and maintain a Project Management Unit (PMU) and Project Coordination and Support Offices (PCSOs) for: (i) management of the Project, including technical, financial management, procurement, social and environmental safeguards management, monitoring and evaluation; (ii) spot checks and annual county performance audits of County PDG management and individual Subprojects as well as annual Project financial audits, according to fiduciary standards acceptable to the Association; (iii) implementation of a Project Monitoring System and framework to collect and present data at County, State and national level on Project activities, outputs and outcomes, including grant monitoring, and Project evaluations based on data collection at midterm and completion; (iv) implementation, in collaboration with the CA, of a feedback and grievance mechanism related to all Project-supported activities; (v) staffing costs, equipment and operational budgets of the PMU and PCSOs; (vi) additional evaluation studies as may be agreed between the Recipient and the Association to be undertaken by the PMU; and (vii) contracting by the PMU, of annual County Performance Audits of County management of the PDG and annual Project Financial Audits of Project accounts.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall vest responsibility for overall implementation of the Project in the Ministry of Finance, Commerce, Investment and Economic Planning (MoFCIEP).

2. Project Steering Committee

   (a) The Recipient shall, at all times during Project implementation, maintain a steering committee with a mandate, composition and resources acceptable to the Association for the purpose of overseeing the execution of the Project (Project Steering Committee).

   (b) The Steering Committee shall be composed of, among others: (i) the MoFCIEP undersecretary or his designate acting as chair; (ii) LGB undersecretary; and (iii) other membership as proposed by the Recipient and acceptable to the Association.

   (c) The Steering Committee shall provide overall policy and strategic guidance, oversight and coordination.

3. Project Management Committee

   (a) The Recipient shall, at all times during Project implementation, maintain a national project management committee with a mandate, composition and resources acceptable to the Association for the purpose of managing the execution of the Project (Project Management Committee).

   (b) The Project Management Committee shall be composed of, among others: (i) the MoFCIEP director of aid coordination acting as chair; (ii) LGB director responsible for planning and training and the LGB director responsible for local government and traditional authorities; and (iii) other membership as proposed by the Recipient and acceptable to the Association.

   (c) The Project Management Committee shall: (i) propose policy and strategic options to the Project Steering Committee for approval; (ii) provide operational and technical guidance; and (iii) ensure accountability through oversight, supervision and coordination of Project managers and Project implementers.
4. **State Project Management Committees**

(a) The Recipient shall, at all times during Project implementation, ensure that project management committees, each with a mandate, composition and resources acceptable to the Association, are maintained in each State where the Project is being implemented for the purpose of overseeing the execution of the Project at the State level.

(b) Each State Project Management Committee shall be composed of, among others: (i) the director of planning in the State ministry of local government acting as chair; (ii) the director of planning in the State ministry of finance, and (iii) the State Coordinator.

(c) The State Project Management Committees shall: (i) ensure the integration of Project plans and activities with State plans and activities; (ii) ensure accountability and compliance of county officials and state staff for project implementation and procedures in the use of Project resources.

5. **Project Management Unit**

(a) The Recipient shall establish a Project management unit for the Project at MoFCIEP, and ensure its maintenance at all times during the implementation of the Project, with functions, staffing and resources acceptable to the Association.

(b) The Recipient shall ensure that the PMU is, at all times during Project implementation, staffed, at a minimum with staff listed in Section 5.01 (c) of this Agreement.

(c) The responsibilities of the PMU shall include, *inter alia*, coordination, management, implementation, monitoring, evaluation and supervision of the Project, drafting and implementing Project plans in coordination with central and state governments, and management of Project resources.

6. **Project Coordination and Support Office**

(a) The Recipient shall, at all times during Project implementation, ensure that Project Coordination and Support Offices (PCSOs), each with functions, staffing and resources acceptable to the Association, are maintained in each State where the Project is being implemented for the purpose of managing the Project at the State level.
(b) Each PCSO shall be headed by a State Coordinator and staffed with, among others, an accountant and a Monitoring and Information Officer.

(c) The responsibilities of the PCSOs shall include, *inter alia*, drafting, coordination and implementation of work plans at the state level including community engagement activities, technical assistance and capacity building, Project monitoring and management of Project resources.

7. **Local Government Board**

   The Recipient shall ensure that the Local Government Board supports the implementation of the Project through participation in the Project Steering Committee and the Project Management Committee. The LGB, in keeping with its statutory responsibilities, shall be responsible for approving and supervising all capacity-building plans and activities financed under the Project, in consultation with MoFCIEP for those activities related to Public Financial Management, and on technical supervision of the PMU and the technical assistance providers it may contract. LGB shall ensure liaison with State governments regarding the coordination of Project Annual Work Plans with State activities as well as liaison with central government institutions which may be involved in the definition or supervision of local government reform.

8. **Arrangements with States and Counties**

   The Recipient shall select Counties to participate in the carrying out of Part 1 of the Project in accordance with eligibility criteria set forth in the Operations Manual. Each such County shall enter into, and comply with, collaborative arrangements enumerated in a Participation Agreement, described in Section 1.C of Schedule 2 to this Agreement. Where applicable, such Participation Agreements shall also outline the responsibilities of States and Counties for implementation of the Project at State and County levels, including: (a) Staffing of Counties; (b) Joint monitoring, oversight and resource management responsibilities; (c) Implementing financial and technical reporting requirements; (d) Implementing Safeguards requirements; (e) Implementing the Operations Manual; and (f) Implementing the Local Government Public Financial Management Manual.


(a) In order to ensure the proper implementation of the Project, the Recipient shall have prepared, in accordance with Section 5.01(a) of Article V of this Agreement, a manual for the implementation of the Project, acceptable to the Association, setting out details of all procedures, guidelines and timetables for Project implementation, said manual to include, inter alia: (i) technical, administrative and institutional arrangements for the coordination and management of the Project (including, inter alia, allocation of responsibilities among various implementing agencies, yearly planning of activities and budget and time frames for those activities); (ii) community mobilization methodology, Subproject identification and eligibility criteria, prioritization, implementation and implementation progress monitoring; (iii) detailed arrangements and guidelines for the overall carrying out of the Project including, inter alia, financial management, procurement and accounting procedures, preparation of Annual Work Plans, monitoring and evaluation, and internal control systems for the Project; and (iv) technical and organizational arrangements.

(b) Except as the Recipient and the Association may otherwise agree in writing, the Recipient shall not abrogate, amend, repeal, suspend, waive or otherwise fail to enforce the Operations Manual or any provision thereof.

(c) In case of any conflict between the terms of the Operations Manual and those of this Agreement, the terms of this Agreement shall prevail.


(a) In order to ensure appropriate public financial management at the County and community levels, the Recipient shall have prepared and adopted the Local Government Public Financial Management Manual ("Local Government PFM Manual").

(b) Except as the Recipient and the Association may otherwise agree in writing, the Recipient shall not abrogate, amend, repeal, suspend, waive or otherwise fail to enforce the Local Government PFM Manual or any provision thereof.
In case of any conflict between the terms of the Local Government PFM Manual and those of this Agreement, the terms of this Agreement shall prevail.

3. Annual Work Plans

(a) The Recipient shall, not later than June 15 of each year or such other date as the Recipient and the Association shall agree, during Project implementation, starting in Fiscal Year 2013/2014, furnish to the Association for approval, a proposed work plan and budget containing all eligible Project activities and expenditures planned for the following Fiscal Year, including: (i) for Part 1 of the Project all Subprojects; (ii) for Parts 2, 3 and 4 of the Project, the proposed procurement plan and estimated disbursement schedule for such period; (iii) the Training plan for such period; and (iv) specifying the source or sources of financing for all eligible expenditures and the percentage of financing of such expenditures from each such source.

(b) The Recipient shall ensure that in preparing any Training or workshops, as well as any additional Training activities to be financed and implemented under the Project after Annual Work Plan approval, it shall identify: (i) the objective and content of the Training or workshop envisaged; (ii) the selection method of institutions or individuals conducting such Training or workshop; (iii) the expected duration, location and an estimate of the cost of the Training or workshops; and (iv) the criteria for selection of personnel to attend the Training or workshops.

(c) The Recipient shall afford the Association a reasonable opportunity to exchange views with the Recipient on each such proposed Annual Work Plan, and thereafter shall allocate such resources to the Project and implement such Annual Work Plan (in accordance with such budget) as shall have been approved by the Association, with due diligence.

(d) The Recipient shall not make or allow to be made any change to the approved Annual Work Plan and Budget without prior approval in writing by the Association.

C. Subprojects

Payam Development Grants

1. The Recipient shall make PDGs to eligible Counties in accordance with eligibility criteria and procedures set forth in the Operations Manual and acceptable to the Association.
2. The Recipient shall make PDGs through MoFCIEP and LGB to Counties under Participation Agreements, each to be entered into by representatives of the participating County, the relevant State and the Recipient, under terms and conditions which shall have been approved by the Association and reflected in a template Participation Agreement to be included in the Operations Manual. Such Participation Agreements shall specify the terms and conditions, acceptable to the Association, under which a PDG shall be made by the Recipient to a County. The Recipient shall ensure that each Participation Agreement under the Project shall be in compliance with the form and substance of the model included in the Operations Manual.

3. Each Participation Agreement shall include the following terms and conditions, and such further conditions as may be specified in the Operations Manual:

(a) The PDG shall be denominated in South Sudanese Pounds, in an amount determined on a grant by grant basis according to the agreed formula for per capita allocation provided for in the Operations Manual.

(b) The County shall ensure that Subprojects are selected through an inclusive and participatory process of community engagement, and carried out, with due diligence and efficiency and in accordance with sound technical, financial, social and environmental standards and practices, including in accordance with the provisions of the Anti-Corruption Guidelines: (i) provide, promptly as needed the resources required for the purpose; and (ii) maintain adequate records.

(c) The County shall ensure that the goods, works and services to be financed out of the proceeds of the PDG shall be procured in accordance with the provisions of this Agreement and used exclusively in planning, carrying out and supervising Subprojects.

(d) The County shall maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Association, the progress of the Subprojects and the achievement of their objectives.

(e) The County shall: (i) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations, resources and expenditures related to Subprojects; and (ii) for each fiscal year of the Recipient, have such financial statements audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and furnish the statements as so audited to
the Recipient and the Association, not later than six (6) months after the end of such fiscal year.

(f) The Recipient shall have the right to inspect by itself, or jointly with the Association, if the Association shall so request, the goods, works and sites included in the Subproject, the operations thereof, and any relevant records and documents.

(g) The State shall prepare and furnish to the Recipient and the Association all such information as the Association shall reasonably request relating to the performance by the State of its obligations under its Participation Agreement with the Recipient and the County.

(h) The County shall prepare and furnish to the Recipient and the Association all such information as the Association shall reasonably request relating to the implementation of the Subprojects, and the performance by the County of its obligations under its Participation Agreement with the Recipient and the State.

(i) The Recipient may suspend or terminate the right of the County to use the proceeds of the PDG upon failure by the County to perform its obligations under its Participation Agreement with the Recipient and the State.

(j) The State shall promptly inform the Recipient and the Association of any condition which interferes or threatens to interfere with the progress of Subprojects, or the performance of its obligations under its Participation Agreement with the County and Recipient.

(k) The County shall promptly inform the Recipient and the Association of any condition which interferes or threatens to interfere with the progress of its Subprojects, or the performance of its obligations under its Participation Agreement with the State and the Recipient.

4. In order for a Subproject to be eligible for financing under a PDG, it shall be required to satisfy the following conditions, as the same may be elaborated upon in the Operations Manual:

(a) the Subproject shall cover activities to be selected from the investment menu included in the Operations Manual in the eligible sectors, as identified in the Payam Action Plan;

(b) the Subproject shall be selected through an inclusive and participatory process of community engagement;
the Subproject shall contribute to improved local governance and service delivery in participating Counties and be fully consistent with the objectives of the Project; and

(d) the Subproject shall be appraised following the guidelines in the Operations Manual, including an environmental and social screening, which may require the preparation of an ESMP pursuant to the ESMF, and in line with other guidelines acceptable to the Association.

5. The Recipient shall exercise its rights under each Participation Agreement in such a manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing, and, except as the Association shall otherwise agree in writing, the Recipient shall not assign, amend, abrogate or waive any Participation Agreement with any County and State, or any provision thereof.

D. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

E. Environmental and Social Safeguards

1. The Recipient shall prepare and adopt an ESMF in a form and substance acceptable to the Association and thereafter ensure that all Subprojects are carried out in accordance therewith.

2. If any Subproject would, pursuant to the ESMF, require the adoption of an ESMP, the Recipient shall:

(a) ensure that such ESMP shall be prepared and disclosed in accordance with the ESMF and thereafter adopted by MoFClEP/LGB, the relevant State and County, prior to implementation of the activity; and

(b) thereafter take such measures as shall be necessary or appropriate to enable the County or State to comply with the requirements of such ESMP.

3. Without limitation upon its other reporting obligations under this Agreement, the Recipient shall, beginning no later than three (3) months after the Effective Date, collect, compile and furnish to the Association, at least once every six (6) months, reports in form and substance acceptable to the Association, on the status of compliance with the ESMF and ESMPs, if any, giving details of:
(a) measures taken in furtherance of such ESMF and ESMPs;

(b) conditions, if any, which interfere or threaten to interfere with the implementation of such ESMF and ESMPs; and

(c) remedial measures taken or required to be taken to address such conditions.

4. The Recipient shall afford the Association a reasonable opportunity to review the reports prepared under paragraph 3 of this Part E, and thereafter shall carry out with due diligence all remedial measures agreed with the Association so as to ensure the proper implementation of the Project in accordance with the ESMF.

5. The Recipient shall ensure that no activity under the Project or Subprojects involves the Involuntary Resettlement of the local population.

6. The Recipient shall ensure that no activity under the Project or Subprojects affects Physical Cultural Resources.

7. The Recipient shall ensure that any construction of wells, new bore holes or other activity potentially involving ground water does not affect adversely its quantity or quality and is confined to existing water delivery schemes.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient shall monitor and evaluate the progress of the implementation of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators acceptable to the Association and set forth in the Operations Manual. Each Project Report shall cover the period of six (6) months, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.

B. Midterm Review

1. Not later than one (1) month prior to the midterm review, the Recipient shall furnish to the Association for comment, a report, in such detail as the Association shall reasonably request, on the progress of the implementation of the Project, and providing details of the matters to be discussed at such review.

2. Not later than forty (40) months after the Effectiveness Date, the Recipient shall undertake, in conjunction with the Association, a comprehensive midterm review of the Project during which it shall exchange views with the Association and implementing agencies on all matters relating to the progress of the
implementation of the Project, the performance by the Recipient of its obligations under this Agreement and the performance by the implementing agencies, having regard to the performance indicators referred to in the Operations Manual.

3. Following the midterm review, the Recipient shall act promptly and diligently to take any corrective action deemed necessary by the Association to remedy any shortcoming noted in the implementation of the Project, or to implement such other measures as may be required in furtherance of the objectives of the Project or as otherwise agreed upon with the Association.

C. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association not later than forty-five (45) days after the end of each fiscal quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance acceptable to the Association.

3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. Goods, Works and Non-consulting Services. All goods, works and non-consulting services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. Consultants’ Services. All consultants’ services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

**B. Particular Methods of Procurement of Goods, Works and Non-consulting Services**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan: (a) National Competitive Bidding, in accordance with the Recipient’s applicable legal framework consisting of the Interim Public Procurement and Disposal Regulations dated June 29, 2006 and the Local Government PFM Manual, provided that such procedures comply with the provisions of Section I and paragraphs 3.3 and 3.4 of the Procurement Guidelines; (b) Shopping; (c) Direct Contracting; (d) Community Participation in procurement; and (e) Procurement from UN Agencies; and (f) Limited International Bidding.

**C. Particular Methods of Procurement of Consultants’ Services**

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. **Other Methods of Procurement of Consultants’ Services.** The following methods, other than Quality and Cost-based Selection, may be used for procurement of consultants’ services for those contracts which are specified in the Procurement Plan: (a) Quality-Based Selection; (b) Fixed Budget Selection; (c) Least Cost Selection; (d) Selection based on the Consultants’ Qualifications; (e) Selection of an Individual Consultant; and (f) Single Source Selection.

**D. Review by the Association of Procurement Decisions**

The Procurement Plan shall set forth those contracts which shall be subject to the Association’s Prior Review. All other contracts shall be subject to Post Review by the Association.
Section IV. **Withdrawal of the Proceeds of the Financing**

A. **General**

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall 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 Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing (“Category”), the allocations of the amounts of the Financing 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 Financing Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Grants under Part 1 of the Project</td>
<td>9,600,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, works, consultants’ services, non-consulting services, Operating Costs, Training for Parts 2,3 and 4 of the Project</td>
<td>21,200,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Refund of PPA</td>
<td>1,700,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>32,500,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

B. **Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement.

2. The Closing Date is December 31, 2018.
**SCHEDULE 3**

Repayment Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each April 15 and October 15:</td>
<td></td>
</tr>
<tr>
<td>commencing April 15, 2023 to and including October 15, 2032</td>
<td>1%</td>
</tr>
<tr>
<td>commencing April 15, 2033 to and including October 15, 2052</td>
<td>2%</td>
</tr>
</tbody>
</table>

* 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.
APPENDIX

Section I. Definitions

1. “Annual Work Plan” means, for each Fiscal Year during Project implementation, the annual work plan and related budget for such year which has been approved by the Association in accordance with the provisions of Section I.B of Schedule 2 to this Agreement.


3. “Block Grants” means grants made available by the Recipient to eligible Counties out of the proceeds of the Financing to finance specific community-driven Subprojects at Payam level.


5. “Boma Development Committee” (BDC) means development committee at Boma level composed of community representatives reflecting the social composition of the communities within the Boma such as chiefs, elders, women, youth, persons with disabilities, returnees, displaced persons and minority groups.

6. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.

7. “Co-financing” means, for purposes of the Preamble to this Agreement, an amount (“Co-financing”), to be provided by certain Donors to assist in financing the Project.

8. “Co-financing Agreement” means the grant agreement to be entered into between the Recipient and the International Bank for Reconstruction and Development and the International Development Association, jointly acting as administrator of the LGSD Trust Fund.


10. “Coordinating Agency” (CA) means a non-governmental organization (NGO) or other organization, including donor agency or technical consulting firm
contracted by the PMU to ensure harmonization of the community engagement approach across States, oversight of the implementation process, quality assurance and troubleshooting.

11. “County” means the first tier of local government in the Recipient’s administrative system in rural areas as set forth under Article 165(5) of the Transitional Constitution of the Republic of South Sudan of July 2011.

12. “County Performance Audits” means the annual external audit undertaken under terms of the Local Government Act (2009) by the Auditor-General or its agent of the full financial statements of a county government, in accordance with the terms of reference established in that legislation and the Operations Manual.


14. “Environmental and Social Management Framework” or “ESMF” means the environmental and social management framework, referred to Section I.E.1 of Schedule 2 to this Agreement prepared and adopted by the Recipient, giving details of a program of actions, measures and policies designed to maximize the benefits of the Project, eliminate, offset or mitigate any adverse environmental and social impacts, or reduce such impacts to acceptable levels.

15. “Environmental and Social Management Plan” or “ESMP” means any environmental and social management plan, acceptable to the Association and consistent with the ESMF - as may be adopted for the purposes of the Project pursuant to Section I.E.2 of Schedule 2 to this Agreement - which gives details of the specific actions, measures and policies designed to facilitate the achievement of the objectives of the ESMF, along with the procedural and institutional measures needed to implement such actions, measures and policies; and the term “ESMPs” means, collectively, all such plans.

16. “Facilitating Partner” means an NGO or other organization, including donor agency or technical consultancy firm, contracted by the PMU for each project State to support Project implementation based on their prior field operations, capacity to operate in partnership and at scale, and with knowledge of local social and institutional dynamics.

17. “Fiscal Year” means the fiscal year of the Recipient which commences on July 1 and ends on June 30 of the following year.


19. “Involuntary Resettlement” means: (i) the involuntary (i.e., without a person’s informed consent or power of choice) taking of land, including anything growing
on or permanently affixed to such land, such as buildings and crops, resulting in: 
(a) relocation or loss of shelter; (b) loss of assets or access to assets; or (c) loss of 
income sources or means of livelihood, whether or not the affected person must 
move to another location; or (ii) the involuntary restriction of access to legally 
designated parks and protected areas resulting in adverse impacts on the 
livelihoods of the affected person, and encompassing restrictions on the use of 
resources imposed on people living outside a park or protected area, or on those 
who continue living inside the park or protected area during and after Project 
implementation.

20. “Institutional Strengthening Specialist” is the contracted staff responsible for 
coordinating capacity building activities at the national level.

21. “Local Government Board” or “LGB” means the entity provided for in 
Article 165 (3) of the Transitional Constitution of the Republic of South Sudan of 
July 2011 and whose functions and duties are defined in the Recipient’s Local 

Government PFM Manual” means the manual approved by the Association and 
adopted by the Recipient referred to in Section I.B.2 of Schedule 2, establishing 
the basic accounting framework for County assets, public procurement at County 
and community levels and guidelines on Project financial management, including 
instructions on processing of accounting information for budgeting, revenue 
collection, expenditure, recording, and the preparation of financial statements and 
reports for all levels of local government.

23. “Local Governance and Service Delivery Trust Fund” or “LGSD Trust Fund” 
means the trust fund to be established and constituted of contributions made by 
Donors in support of the financing of the LGSD Project and administered by the 
Association pursuant to an administration agreement or agreements to be entered 
into between the Association and the Donors.

24. “Monitoring and Information Officer” means the Project-contracted staff at State 
level responsible for undertaking monitoring and communications activities 
relating to the Project.

25. “Monitoring and Evaluation Officer” means as the Project-contracted staff at 
national level responsible for undertaking monitoring and evaluation activities 
relating to the Project.

“MoFCIEP” means the Recipient’s Ministry responsible for finance and 
economic planning and any successor thereto.
27. “National Decentralization Policy” means a policy of decentralization pursued by the Recipient in accordance with the terms of the Local Government Act 2009.

28. “Operations Manual” means the manual approved by the Association and adopted by the Recipient in accordance with the provisions of Section I.B.1 of Schedule 2 to this Agreement as the same may be amended from time to time with the prior written agreement of the Association, and such term includes any schedules to the Operations Manual.

29. “Operating Costs” means the incremental expenditures incurred by the Recipient in the implementation of the Project, on account of office supplies, office rent, communication and insurance charges, maintenance of office equipment, vehicle operations, insurance and maintenance costs, utilities, international and domestic travel and travel allowances, and salaries of locally contracted employees, but excluding salaries of officials of the Recipient’s civil service.


31. “Payam Action Plan” means a prioritized list of development needs identified by the Payam Development Committee including a prioritized list of Subprojects to be financed by the PDG.

32. “Payam Development Committee” (PDC) means a committee of the Payam (Town) established in accordance with the provisions of the Local Government Act 2009 to coordinate the legislative and executive functions of the Payam Council. Members shall include the Chief, and community representatives reflecting the social composition of the communities within the Payam such as chiefs, elders, women, youth, persons with disabilities, returnees, displaced persons and minority groups. The PDC shall be responsible for decisions on Subprojects selection and phasing.

33. “Payam Development Grant” (PDG) means a Block Grant made or proposed to be made by the Recipient to an eligible County in accordance with the provisions of Section I.C of Schedule 2 to this Agreement.

34. “Participation Agreement” means each agreement outlining collaborative arrangements entered into among the Recipient, relevant State and participating County under Section I.C of Schedule 2 to this Agreement, under terms and conditions acceptable to the Association, pursuant to which a PDG shall be or has been made by the Recipient to such County. Where applicable, such Participation Agreements shall also outline the responsibilities of States and Counties for implementation of Project at State and County levels.
35. “Physical Cultural Resources” means movable or immovable objects, sites, structures, groups of structures, and natural features and landscapes that have archaeological, paleontological, historical, architectural, religious, aesthetic, or other cultural significance.


37. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated February 5, 2013 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

38. “Project Coordination and Support Office” or “PCSO” means the entity referred to in Section I.A.6 of Schedule 2 to this Agreement.

39. “Project Management Committee” means the entity referred to in Section I.A.3 of Schedule 2 to this Agreement.

40. “Project Management Unit” or “PMU” means the entity referred to in Section I.A.5 of Schedule 2 to this Agreement.

41. “Project Monitoring System” means a system under the responsibility of the PMU to collect and present data at County, State and national levels regarding project activities, outputs and outcomes, including evaluations and audits.

42. “Project Steering Committee” means the entity referred to in Section I.A.2 of Schedule 2 to this Agreement.

43. “Safeguards” means measures designed to prevent and mitigate undue harm to people and their environment in the development process.

44. “South Sudanese Pound” means the currency of the Recipient.


46. “State Coordinator” means a consultant contracted by the PMU to manage the PCSO, liaise with State ministries and County governments, and coordinate the activities of Project-financed technical assistance providers within their area of responsibility.
47. "Subproject" means a specific development program of activities to be carried out by a County under Part 1 of the Project and "Subprojects" means, collectively, all such Subprojects.

48. "Training" means the reasonable costs for the following expenditures, based on an Annual Work Plan, incurred in providing training or workshops, international and domestic travel by participants and presenters to the training or workshop site, per diem allowances of such persons during the training or workshop, honoraria for the presenters, rental of facilities, materials, supplies and translation and interpretation services.