Financing Agreement
(First Inclusive Growth Development Policy Operation)

between

REPUBLIC OF LIBERIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

March 18, 2020
FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between REPUBLIC OF LIBERIA ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). 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 A of Schedule 1 to this Agreement; and (ii) the Recipient's maintenance of an adequate macroeconomic policy framework.

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 — FINANCING

2.01. The Association agrees to extend to the Recipient a grant and a credit, which are deemed as Concessional Financing for purposes of the General Conditions (collectively, “Financing”) in the following amounts:

(a) an amount equivalent to fourteen million six hundred thousand Special Drawing Rights (SDR 14,600,000) (“Grant”); and

(b) an amount equivalent to fourteen million six hundred thousand Special Drawing Rights (SDR 14,600,000) (“Credit”).

2.02. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance.

2.03. The Service Charge is three-fourths of one percent (3/4 of 1%) per annum on the Withdrawn Credit Balance.

2.04. The Payment Dates are August 15 and February 15 in each year.

2.05. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 2 to this Agreement.
2.06. The Payment Currency is United States Dollars.

2.07. 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 and the actions specified in Section I of Schedule 1 to this Agreement;

(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.

4.02. The Additional Event of Acceleration consists of the following, namely, that the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of 60 days after notice of the event has been given by the Association to the Recipient.

**ARTICLE V — EFFECTIVENESS; TERMINATION**

5.01. The Additional Condition 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.

5.03. For purposes of Section 10.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty years after the Signature Date.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient’s Representative is its minister responsible for finance and development planning.

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

(a) the Recipient’s address is:

Ministry of Finance and Development Planning
P.O. Box 10-9013
Broad Street
Monrovia
Republic of Liberia; and

(b) the Recipient’s Electronic Address is:

E-mail: dtweah@mfdp.gov.lr

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: 248423 (MCI) Facsimile: 1-202-477-6391
AGREED as of the Signature Date.

REPUBLIC OF LIBERIA

By

Authorized Representative

Name: Samuel D. Tweah Jr.
Title: Minister
Date: March 18, 2020

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: Khuwima N'Gor
Title: Country Manager
Date: March 18, 2020
SCHEDULE 1
Program Actions; Availability of Financing Proceeds

Section I. Actions under the Program

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

Pillar A: Removing Distortions in Selected Sectors and Strengthening Public Sector Transparency

1. The Recipient has enacted the Liberia Seed Development and Certification Agency Act to establish a Seed Development and Certification Agency to, *inter alia*, provide for sustainable seeds delivery system and private sector participation in seeds production and marketing.

2. The Recipient has, through the Liberia Electricity Corporation (LEC), approved the LEC Business Plan (2019-2023) which addresses key operational challenges to reduce commercial losses in the energy sector, as evidenced by the minutes of the LEC Board meeting, dated August 15, 2019.

3. The Recipient has enacted a Modernized Customs Code to, *inter alia*, provide for greater transparency and accountability of customs decisions and procedures, and facilitation of international trade.

4. The Recipient has, through its Ministry of Finance and Development Planning (MFDP): (a) established an intergovernmental Technical Tax Expenditure Committee as evidenced by its letter dated December 20, 2019; and (b) suspended the issuance of Investment Incentive Certificates until June 2020, as evidenced by its letter to the National Investment Commission, dated December 27, 2019, all for the purpose of reducing rent-seeking behavior, strengthening transparency, and creating fiscal space.

5. The Recipient has enacted the Amendment and Restatement of the Public Financial Management Act of 2009 to, *inter alia*, provide for the: (a) submission of annual statement of fiscal risk from State-owned Enterprises (SOEs) along with the budget proposal for following year; and (b) publication of SOEs’ financial statements based on International Financial Reporting Standards, for the purpose of strengthening transparency and improving oversight of SOEs.

Pillar B: Promoting economic and social inclusion

6. The Recipient has, through its Central Bank of Liberia, issued Regulations Concerning Licensing and Operations of Electronic Payment (e-payment) Services.
No. CBL/RSD/003/2019 to, *inter alia*, promote financial inclusion and safe and efficient delivery of quality payment services.

7. The Recipient has, through its Cabinet, issued the *Cabinet Resolution Concerning National Household Social Registry* (NHSR) which endorses the setting up of the NHSR as the principal medium for identifying and targeting beneficiaries of various social protection programs nation-wide.

Section II. **Availability of Financing Proceeds**

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

<table>
<thead>
<tr>
<th>Allocations</th>
<th>Amount of the Credit Allocated (expressed in SDR)</th>
<th>Amount of the Grant Allocated (expressed in SDR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single Withdrawal Tranche</td>
<td>14,600,000</td>
<td>14,600,000</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>14,600,000</td>
<td>14,600,000</td>
</tr>
</tbody>
</table>

C. **Withdrawal Tranche Release Conditions.** No withdrawal shall be made of the Single Withdrawal Tranche unless the Association is satisfied: (a) with the Program being carried out by the Recipient; and (b) with the adequacy of the Recipient’s macroeconomic policy framework.

D. **Deposit of Financing Amounts**

The Recipient, within thirty (30) days after the withdrawal of the Financing from the Financing Account, shall report to the Association: (a) the exact sum received into the account referred to in Section 2.03 (a) of the General Conditions; (b) the details of the account to which the equivalent of the Financing proceeds will be credited; (c) the record that an equivalent amount has been accounted for in the Recipient’s budget management systems; and (d) the statement of receipts and disbursement of the account referred to in Section 2.03 (a) of the General Conditions.
E. **Audit.** Upon the Association’s request, the Recipient shall:

1. have the account referred to in Section 2.03 (a) of the General Conditions 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 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 account referred to in Section 2.03 (a) of the General Conditions and their audit as the Association shall reasonably request.

F. **Closing Date.** The Closing Date is September 30, 2021.
SCHEDULE 2
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 August 15 and February 15 commencing on August 15, 2026 to and including February 15, 2058.</td>
<td>1.5625%</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 3.05 (b) of the General Conditions.
APPENDIX

Section I. Definitions

1. "Amendment and Restatement of the Public Financial Management Act of 2009" means the Act enacted by the Recipient’s parliament and approved on October 22, 2019 and referred to in Section I.A.5 of Schedule 1 to this Agreement.

2. "Cabinet" means the Recipient’s council of ministers.


4. "Central Bank of Liberia" or "CBL" means the Recipient’s institution in charge of the monetary policy, established and operating pursuant to the Central Bank Act, 1999; or its legal successor.


6. "International Accounting Standards Board" means an independent, not-for-profit organization responsible for the development and publication of International Financial Reporting Standards.

7. "International Financial Reporting Standards" or "IFRS" means a set of accounting standards developed by the International Accounting Standards Board.

8. "Investment Incentive Certificate" means an official document that comprises the specifications of the investment and allows leveraging on the registered support elements as long as the investment has been realized in line with the set criteria.

9. "LEC Board" means the board of directors of the Liberia Electricity Corporation appointed by the president of the Republic of Liberia to provide policy oversight of the LEC.

10. "LEC Business Plan" means the five year business plan developed by the LEC dated August 6, 2019 to: (a) increase access to electricity to alleviate poverty; (b) ensure commercial turnaround and sustainable operations of LEC; and (c) build the capacity of LEC to achieve long term sustainability.

11. "Liberia Electricity Corporation" or "LEC" means a public utility responsible for producing and supplying electric power in the Recipient’s territory, established and operating pursuant to the Liberia Electricity Corporation Act of July 12, 1973; or its legal successor.
12. "Liberia Seed Development and Certification Agency Act" means the Act enacted by the Recipient's parliament and approved on September 17, 2019.

13. "MFDP" means the Recipient's ministry responsible for finance and development Planning; or its legal successor.


15. "National Household Social Registry" or "NHSR" means the Recipient's information system for identifying and targeting beneficiaries of social protection programs and referred to in Section I.A.7 of Schedule 1 to this Agreement.

16. "National Investment Commission" or "NIC" means the Recipient's investment promotion and coordination agency, established and operating pursuant to an Act of the Recipient's Legislature on September 6, 1979 and amended on July 19, 2010; or its legal successor.

17. "Program" means the program of objectives, policies, and actions set forth or referred to in the letter dated February 10, 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.


19. "Seed Development and Certification Agency" means the Recipient's autonomous agency responsible for coordinating, regulating, and administering seed certification, established and operating pursuant to the Act to Establish the Liberia Seed Development and Certification Agency, enacted by the Recipient's parliament and approved on September 17, 2019.

20. "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.
21. "Single Withdrawal Tranche" means the amount of the Financing 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.

22. "State-owned enterprise" or "SOE" means a business enterprise in which the Recipient's Government has significant control through full, majority, or significant minority ownership.

23. "Technical Tax Expenditure Committee" means the committee set up on December 20, 2019, by MFDP to: (a) conduct an assessment of the Recipient's incentive regime and proffer a redesigned regime with the objective of streamlining tax expenditures, preventing fraud, waste and abuse; and (b) derive an effective strategy for addressing the exponential increase in tax expenditure, and referred to in Section I.A.4 of Schedule 1 to this Agreement.