H. E. Dr. Samura M. W. Kamara  
Minister of Finance and Economic Development  
Ministry of Finance and Economic Development  
Treasury Building  
George Street  
Freetown, Sierra Leone  

Re: SIERRA LEONE: JSDF Grant for Round 28 - Artisanal Mining  
Community Development and Sustainable Livelihoods Project  
Grant No. TF099111

Honorable Minister:

In response to the request for financial assistance made on behalf of the Republic of Sierra Leone (the Recipient), I am pleased to inform you that the International Development Association ("World Bank"), as administrator of grant funds provided by Japan under the Japan Social Development Fund, proposes to extend to the Recipient a grant in an amount not to exceed two million seven hundred fifty thousand ninety United States Dollars (U.S.$2,750,090) ("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"). This Grant is funded out of the Japan Social Development Fund for which the World Bank receives periodic contributions. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the Recipient may withdraw the Grant proceeds subject to the availability of such funds.

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 with 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.

Very truly yours,
INTERNATIONAL DEVELOPMENT ASSOCIATION

By: /s/ Sergiy V. Kulyk
Sergiy V. Kulyk
Acting Country Director for Sierra Leone
Africa Region

AGREED:
REPUBLIC OF SIERRA LEONE

By: H. E. Dr. Samura M. W. Kamara
Authorized Representative

Name: H. E. Dr. Samura M. W. Kamara
Title: Minister of Finance and Economic Development
Date: July 28, 2011

Enclosures:

2. Disbursement Letter of even date herewith, together with “World Bank Disbursement Guidelines for Projects”, dated May 1, 2006
3. Guidelines: “Procurement under IBRD Loans and IDA Credits”, published by the Bank in May 2004 and revised in October, 2006 and May 2010
5. Guidelines on “Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006
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 31, 2010 (“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, including the Appendix to this Agreement.

Article II

Project Execution

2.01. **Project Objectives and Description.** The objectives of the Project are to: (i) use community-driven development (CDD) as a way to support capacity building, empowerment and participatory decision-making in artisanal and small scale mining (“ASM”) communities; (ii) cultivate linkages between ASM communities, local government, the private sector and civil society organizations in order to enhance social accountability and promote closer cooperation on environmental and social challenges; (iii) increase the participation, and enhance the overall sustainable livelihoods of women and other vulnerable groups in artisanal communities; and (iv) help ASM communities transition into alternative and more sustainable livelihoods, especially in the agriculture sector.

The Project consists of the following parts:

(a) **Capacity building and skills training for local development**

   (i) Carrying out a program of activities to: (A) support local communities in the Kono District, particularly vulnerable groups including women and youth, in enhancing their capacity to engage in participatory development planning and development funds management; and (B) provide communities with relevant managerial, agricultural and technical skills based on their self-identified livelihoods priorities through skills-training that will lay the groundwork for subsequent livelihoods interventions.

   (ii) Providing the communities with relevant skills, based on their self-identified livelihoods priorities, to include: (A) management training; (B) agricultural training; and (C) technical skills training.
(b) **Capacity development to manage Block grants**

(i) Providing the communities with Block grants to: (A) implement value-added small-scale infrastructure projects; and (B) develop social capital and infrastructure.

(c) **Livelihoods diversification**

(i) Establishing community based livelihood structures by: (A) helping communities to organize and/or revitalize agricultural cooperatives to enhance agricultural productivity; and (B) strengthening and/or developing mechanisms such as village savings, loans groups and community run seed banks to reduce the communities’ vulnerability in pursuing alternative livelihoods.

(ii) Providing beneficiaries in targeted areas with business development services including financial literacy to effectively apply micro-finance capital to promote sustainable livelihoods.

(iii) Providing support to help communities to engage in agriculture as an alternative livelihood option.

(iv) Conducting a market survey to determine which livelihood activities are most viable and hold potential for future economic development.

(d) **Strengthening governance and empowering miners in the artisanal small scale mining sector**

Carrying out a program of activities to build capacity of the small scale mining sector to: (i) access information about their rights, existing regulations, and prices of diamonds; (ii) strengthen local civil society organizations’ capacity to help the ASM communities to have access to justice and to improve their ability to mediate disputes between large-scale mining interests, traditional authorities and communities; and (iii) facilitate the formation of mining school clubs in selected communities to sensitize school-age children about mining-related environmental hazards.

(e) **Project management and monitoring and evaluation**

Carrying out a program of activities to support the Project’s management along with the monitoring and evaluation of the Project’s activities, in collaboration with an oversight technical committee, participating chiefdoms and other stakeholders.

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 its Decentralization Secretariat, within the Recipient’s Ministry of Internal Affairs, Local Government, and Rural Development, in accordance with: (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 Section II of the Appendix to this Agreement; (c) the Operational Manual; (d) the Block-grant Agreements; and (e) this Article II.

2.03. **Institutional and Other Arrangements**

(a) The Recipient shall: (i) adopt and maintain the Operational Manual, in form and substance satisfactory to the World Bank, for the implementation of the Project; (ii) take all measures necessary to ensure that the Project is carried out in conformity with the Operational Manual; and (iii) not assign, amend, abrogate or waive the Operational Manual or any provision thereof if, in the opinion of the World Bank, such assignment, amendment, abrogation or waiver will materially affect the implementation of the Project.

(b) Block grants: (i) The Recipient shall provide the Block grants, under Part (b) of the Project, to the Beneficiaries, through the respective local councils, in accordance with guidelines, criteria and procedures acceptable to the World Bank, including, but not limited to, the following provisions that shall be elaborated in more details in the Operational Manual:

(A) the proposed Sub-project shall have been identified by the Beneficiary as a result of its village development plan or ward development plan, as the case may be;

(B) the proposed Sub-project shall include poor and vulnerable groups in all stages of the preparation and implementation Sub-project;

(C) the proposed Sub-project shall be economically, financially and technically viable, and environmentally sound, in accordance with the standards specified in the Operational Manual;

(D) the proposed Sub-project shall be in compliance with the standards set forth in the applicable laws and regulations of the Recipient relating to health, safety and environmental protection and in the Operational Manual; and

(E) a Beneficiary shall be eligible to receive subsequent Block grants if it has completed the preceding Sub-project satisfactorily to the Decentralization Secretariat and the World Bank.

(ii) In financing the Block grants, the Recipient shall enter into a Sub-grant Agreement with the respective Beneficiary under terms and conditions satisfactory to the World Bank, which shall require each Beneficiary to:

(A) procure the goods, small works and services to be financed out of the proceeds of the Block-grant in conformity with the provisions of this Agreement and ensure that the goods, small works and services shall be used exclusively in the carrying out of the Sub-project;
(B) maintain an accounting system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the World Bank, both in a manner adequate to reflect the operations, resources and expenditures related to the Sub-project;

(C) carry out the proposed Sub-project in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of grant proceeds other than the Recipient;

(D) provide, promptly as needed, the resources required for the purpose as the case may be;

(E) promptly inform the Recipient and the World Bank of any condition which interferes or threatens to interfere with the progress of the Sub-project, or the performance by the Sub-project Beneficiary of its obligations under the Sub-project;

(F) enable the Recipient and the World Bank to inspect the Sub-project, its operation and any relevant records and documents; and

(G) prepare and furnish to the Recipient and the World Bank all such information, as the Recipient or the World Bank shall reasonably, request relating to the foregoing.

(iii) The Recipient shall exercise its rights under each Sub-grant Agreement in such manner as to protect the interests of the Recipient and the World Bank and to accomplish the purposes of the Grant. Except as the World Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive any Sub-grant Agreement or any of its provisions.

(c) (i) The Recipient shall ensure that any work under the Project is carried out in accordance with the provisions of the EMP; and (ii) without limitation upon its obligations under this Agreement, in accordance with terms of reference satisfactory to the World Bank, the Recipient shall monitor the status of compliance with the EMP and prepare and furnish to the World Bank, as part of the Project Report, reports on the results of such monitoring activities.

(d) The Recipient shall not, suspend, amend, abrogate, waive or otherwise modify, whether in whole or in part, any provision of EMP without the prior written agreement of the World Bank.

2.04. **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 not later than 45 days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.
(c) The Recipient shall have its Financial Statements for the Project audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each 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 months after the end of such period.

2.05. **Procurement**

(a) **General.** All goods, works 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 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 works; and

(ii) Sections I 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; and

(iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines (“Procurement Plan”).

(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 and Works**

(i) Except as otherwise provided in sub-paragraph (ii) below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.

(ii) The following methods, other than International Competitive Bidding, may be used for procurement of goods and works for those contracts specified in the Procurement Plan: (A) Limited International Bidding; and (B) National Competitive Bidding, subject to the following additional provisions:

**Exceptions to National Competitive Bidding Procedures.** The following provisions shall apply to the procurement of goods under National Competitive Bidding procedures: (a) foreign bidders shall be allowed to participate in National Competitive Bidding procedures; (b) bidders shall be given at least 28 days to submit performance securities; (c) no domestic preference shall be given for domestic bidders and for domestically manufactured goods; and (d)
in accordance with paragraph 1.14(e) of the Procurement Guidelines, each bidding document and contract financed out of the proceeds of the Financing shall provide that: (i) the bidders, suppliers, contractors and sub-contractors shall permit the Association, at its request, to inspect their accounts and records relating to the bid submission and performance of the contract, and to have said accounts and records audited by auditors appointed by the Association; (ii) the deliberate and material violation by the bidder, supplier, contractor or sub-contractors of such provision may amount to an obstructive practice as defined in paragraph 1.14(a)(v) of the Procurement Guidelines; and (iii) each bidding document and contract financed out of the proceeds of the Financing shall provide for obstructive practices” under acts that constitute Fraud and Corruption as follows: deliberately destroying, falsifying, altering or concealing of evidence material to the investigation or making false statements to investigators in order to materially impede a Bank investigation into allegations of a corrupt, fraudulent, coercive or collusive practice; and / or threatening, harassing or intimidating any party to prevent it from disclosing its knowledge of matters relevant to the investigation or from pursuing the investigation; (C) Shopping; (D) Direct Contracting; (E) Force Account; (F) Procurement from UNOPS; (G) Established Private or Commercial Practices which have been found acceptable to the World Bank; and (H) Community Participation procedures which have been found acceptable to the World Bank.

(d) Particular Methods of Procurement of Consultants’ Services

(i) Except as otherwise provided in sub-paragraph (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 are specified in the Procurement Plan: (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) Established Private or Commercial Practices which have been found acceptable to the World Bank; (G) Selection of Service Delivery Contractors which have been found acceptable to the World Bank; (H) Selection of Individual Consultants; and (I) Sole Source Procedures for the Selection of Individual Consultants.

(e) Review by the World Bank of Procurement Decisions. The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. 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 allocations 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 US $)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods and consultants’ services</td>
<td>688,290</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Training</td>
<td>469,300</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Block-grants</td>
<td>1,592,500</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>2,750,090</td>
<td></td>
</tr>
</tbody>
</table>

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 four years after the date of countersignature of this Agreement by the Recipient.

**Article IV**  
Recipient’s Representative; Addresses

4.01. **Recipient’s Representative.** The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is the Minister of the Recipient responsible for finance.

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

Ministry of Finance and Economic Development  
Treasury Building  
George Street  
Freetown, Sierra Leone

Facsimile:  
232 22 229 060
4.03. **World Bank’s Address.** The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

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

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

Cable: Telex: Facsimile:
APPENDIX

Definitions


2. “Block-grant” means a grant made or proposed to be made by the Recipient to an eligible Beneficiary, subject to the specific terms and conditions set forth in the Sub-grant Agreement, to finance the reasonable cost of goods, works or services required for Sub-projects.

3. “EMP” means the environmental management plan, in form and substance satisfactory to the World Bank, prepared by the Recipient giving details of measures to manage potential environmental risks and mitigate, reduce and/or offset adverse environmental impacts associated with the implementation of the Project and any of the Sub-projects.

4. “Operational Manual” means the Recipient’s Project Operational Manual referred to in Section 2.03 of the Annex to this Agreement, as the same may be amended, from time to time, in a manner satisfactory to the World Bank.

5. “Sub-grant Agreement” means the agreement or contract satisfactory to the World Bank to be entered between the Recipient and an eligible Beneficiary, setting forth the terms and conditions under which proceeds of a Sub-grant are to be made available to the Beneficiary for the purpose of financing Sub-projects.

6. “Sub-project” means a specific activity to be carried out by local communities within the targeted areas, under the Project.

7. “Training (including workshops)” means costs (excluding consultants’ services), arising under the Project on account of training activities, including, travel, accommodation, and per diem expenses for participants; training materials; and rental of training facilities.