The World Bank
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION
1818 H Street N.W.
Washington, D.C. 20433
U.S.A.
(202) 473-1000
Cable Address: INTBAFRAD
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June 27, 2012

Hon. 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: Republic of Sierra Leone: DSDP Grant No. TF012665
Decentralized Service Delivery Program II Project

Excellency:

In response to the request for financial assistance made on behalf of the Republic of Sierra Leone ("Recipient"), I am pleased to inform you that the International Development Association ("World Bank"), acting as administrator of grant funds provided by the European Union, represented by the European Commission ("Donor") under the Sierra Leone Decentralized Service Delivery Program II Project Single Donor Trust Fund, proposes to extend to the Recipient, a grant in an amount not to exceed two million two hundred eighty thousand Euros (€2,280,000) ("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 abovementioned trust fund for which the World Bank receives periodic contributions from the Donor. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the World Bank's payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the Donor under the abovementioned trust fund, and the Recipient's right to withdraw the Grant proceeds is subject to the availability of such funds.

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effective as of the date of the countersignature; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement within ninety (90) days after the date of signature of this Agreement by the World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

Very truly yours,

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Sergiy V. Kulyk
Acting Country Director for Sierra Leone
Africa Region

AGREED:
REPUBLIC OF SIERRA LEONE

By: [Signature]
Authorized Representative

Name: ROUCHALE STEVUS

Title: [Title]

Date: [Date]

Enclosures:

(2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006
(5) Guidelines on “Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011
Article I
Standard Conditions; Definitions


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.

Article II
Project Execution

2.01. *Project Objectives and Description.* The objective of the Project is to support Part I (Grants to Local Councils (LC grants)) of the Decentralized Service Delivery Program II project.

The Grant may be used to finance Grants to Local Councils (LC Grants) for carrying out Subprojects in the following sectors: health; education; water; and solid waste management and to finance European Union visibility and communication activities.

Part I. Grants to Local Councils (LC Grants)

Provision of LC Grants to eligible Local Councils (LCS) for carrying out specific development activities (Subprojects) in the education; health and sanitation; rural water; solid waste management; and social assistance service sectors, as elaborated in the respective LC annual work plans and budgets.

2.02. *Project Execution Generally.* The Recipient declares its commitment to the objectives of the Project and the Program. To this end, the Recipient shall carry out the Project through MoFED, MLGRD and Local Councils 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 and revised in January 2011 ("Anti-Corruption Guidelines"); and

(c) this Article II.

2.03. *Institutional and Other Arrangements.* The provisions of Section I of Schedule 2 to the Financing Agreement between the Recipient and the International Development Association dated February 14, 2012, as amended to date (the "Financing Agreement"), and related definitions, are hereby incorporated by reference in this Section and shall
apply to this Agreement, *mutatis mutandis*, and the Recipient undertakes to comply with the provisions thereof to the same extent as if such provisions had been set out in full in this Agreement, subject, however, to the following qualifications:

(a) references to “Association” shall be construed as references to the World Bank, acting as administrator of the Sierra Leone Decentralized Service Delivery Program II Project Single Donor Trust Fund; and

(b) references to “Credit” and “Financing” shall be construed as references to the Grant provided for under this Agreement.

2.04. *Donor Visibility and Visit*

(a) The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donor’s support for the Project.

(b) For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank’s request, enable the representatives of the Donor to visit any part of the Recipient’s territory for purposes related to the Project.

2.05. *Project Monitoring, Reporting and Evaluation*

(a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators acceptable to the World Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than one month after the end of the period covered by such report.

(b) The Recipient shall:

(i) Not later than twenty-four (24) months after the Effective Date, undertake in conjunction with the World Bank, and the implementing institutions a comprehensive mid-term review of the Project and Program during which it shall exchange views with the World Bank and implementing institutions generally on all matters relating to the progress of the Project and Program, the performance by the Recipient of its obligations under this Agreement and the performance by the implementing institutions, having regard to the indicators referred to in paragraph (a) immediately above;

(ii) Not later than one month prior to the mid-term review, furnish to the World Bank for comments, a report, in such detail as the World Bank shall reasonably request, on the progress of the Project and Program, and giving details of the various matters to be discussed at such review; and

(iii) Following the mid-term review, act promptly and diligently in order to take any corrective action deemed necessary 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 otherwise agreed upon between the parties.
(c) The Recipient shall 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 six months after the Closing Date.

2.06. 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 forty-five (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 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.

2.07. Procurement

(a) General. All goods, works non-consulting services and consultants' 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 of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 ("Procurement Guidelines"), in the case of goods, works and non-consulting services;

(ii) Sections I and IV of the "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 ("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 1.18 of the Procurement Guidelines and paragraph 1.25 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 Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

(c) **Particular Methods of Procurement of Goods, Works and Non-consulting Services**

(i) Except as otherwise provided in sub-paragraph (ii) below, goods, works and non-consulting services 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, works and non-consulting services for those contracts which are specified in the Procurement Plan: (a) National Competitive Bidding *(subject to the additional procedures in paragraph (iii) below)*; (b) Shopping; (c) Direct Contracting; (d) Procurement from United Nations Office for Project Services (UNOPS); and (e) Community Participation procedures which have been found acceptable to the World Bank.

(iii) **Additional National Competitive Bidding (NCB) procedures.** The procedures to be followed for NCB shall be those set forth in the Recipient’s Public Procurement Act No. 14 of 2004, as amended from time to time (“the Act”), subject to the following additional procedures (i.e. exceptions to the Act):

(A) Procuring entities shall use appropriate standard bidding documents acceptable to the World Bank.

(B) The eligibility of bidders shall be as defined under Section I of the Procurement Guidelines; accordingly, no bidder or potential bidder shall be declared ineligible for contracts financed by the World Bank for reasons other than those provided in Section I of the Procurement Guidelines.

(C) No restrictions in respect of eligibility to participate in bidding for contracts shall be placed on the basis of nationality of the bidder and/or the origin of goods other than those imposed by primary boycotts.

(D) Foreign bidders shall be allowed to participate in NCB procedures.

(E) No domestic preference shall be given for domestic bidders and/or for domestically manufactured goods.

(F) Bidding shall not be restricted to pre-registered firms, and foreign bidders shall not be required to be registered with local authorities as a prerequisite for submitting bids.
(G) Foreign firms shall not be required to associate with a local partner in order to bid as a joint venture, and joint venture or consortium partners shall be jointly and severally liable for their obligations.

(H) Government-owned enterprises shall be eligible to participate in bidding only if they can establish that they are legally and financially autonomous, operate under commercial law and are not dependent agencies of the Borrower or Sub-Borrower. Such enterprises shall be subject to the same bid and performance security requirements as other bidders.

(I) Subject to these provisions, procurement shall be carried out in accordance with the “Open Competitive Bidding” procedures set forth in the Act.

(J) Bidders shall be given at least thirty (30) days from the date of the invitation to bid or the date of availability of bidding documents, whichever is later, to prepare and submit bids.

(K) Bids shall be submitted in a single envelope.

(L) An extension of bid validity, if justified by exceptional circumstances, may be requested in writing from all bidders before the expiration date and for a minimum period required to complete the evaluation or award a contract, but not to exceed thirty (30) days. No further extensions shall be requested without the prior concurrence of the World Bank.

(M) All bids (or the sole bid if only one bid is received) shall not be rejected, the procurement process shall not be cancelled, and new bids shall not be solicited without the World Bank’s prior concurrence.

(N) Qualification criteria shall be applied on a pass or fail basis.

(O) Bidders shall be given at least twenty-eight (28) days from the receipt of notification of award to submit performance securities.

(P) Each bidding document and contract financed out of the proceeds of the Financing shall include provisions on matters pertaining to fraud and corruption as defined in paragraph 1.16(a) of the Procurement Guidelines. The World Bank will sanction a firm or an individual, at any time, in accordance with prevailing World Bank sanctions procedures, including by publicly declaring such firm or individual ineligible, either indefinitely or for a stated period of time: (i) to be awarded a World Bank-financed contract; and (ii) to be a nominated sub-contractor, consultant, supplier, or service provider of an otherwise eligible firm being awarded a World Bank-financed contract.

(Q) In accordance with paragraph 1.16(e) of the Procurement Guidelines, each bidding document and contract financed out of the proceeds of the
Grant shall provide that bidders, suppliers and contractors, and their subcontractors, agents, personnel, consultants, service providers, or suppliers, shall permit the World Bank to inspect all accounts, records, and other documents relating to the submission of bids and contract performance, and to have them audited by auditors appointed by the World Bank. Acts intended to materially impede the exercise of the World Bank’s inspection and audit rights provided for in paragraph 1.16(e) of the Procurement Guidelines constitute an Obstructive Practice as defined in paragraph 1.16(a)(v)(bb) of the Procurement Guidelines.

(R) The World Bank may recognize, if requested by the Recipient, exclusion from participation as a result of debarment under the national system, provided that the debarment is for offenses involving fraud, corruption or similar misconduct, and further provided that the World Bank confirms that the particular debarment procedure afforded due process and the debarment decision is final.

(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, other than Quality- and Cost-Based Selection, may be used for the procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (a) Least Cost Selection; (b) Selection based on Consultants’ Qualifications; (c) Single-source Selection of Consulting Firms; (d) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (e) Single-source procedures for the Selection of Individual Consultant.

(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 in Part 1 of the Project inclusive of Taxes.
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in EUR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>LC Grants for Subprojects under Part 1 of the Project</td>
<td>2,280,000</td>
<td>Such percentage as shall be specified in the Consolidated Project Annual Work Plan and Budget for the respective Fiscal Year</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>2,280,000</strong></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:

(a) for payments made prior to the date of countersignature of this Agreement;

(b) until the Recipient has prepared and approved, the Consolidated Project Annual Work Plan and Budget for the first year of Project implementation, in form and substance satisfactory to the World Bank;

(c) unless the Recipient has furnished to the World Bank, evidence satisfactory to the World Bank, that: (i) the Recipient has concluded a Subsidiary Agreement with the LC (or MDA) for such Subproject under terms and conditions satisfactory to the World Bank; and (ii) in the case of a Subproject to be carried out by a LC, all financial statements of the said LC have been audited by an auditor and in a manner satisfactory to the World Bank; and

(d) unless the Recipient has furnished to the World Bank, evidence satisfactory to the World Bank, that each LC has included communication and visibility activities in its approved annual work plan and budget.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06(c) of the Standard Conditions is May 04, 2013.

**Article IV**  
**Additional Remedies**

4.01. **Additional Events of Suspension.** The Additional Event of Suspension referred to in Section 4.02 (k) of the Standard Conditions consists of the following, namely, that in the opinion of the World Bank, the Local Government Act and related instruments (including the Statutory Instrument 2004) has substantially changed from that prevailing as of the date of this Agreement so as to materially and adversely affect the ability of the Recipient or of the Local Council(s) or MDA(s) (or such other entity or entities) to perform any of its (their) obligations arising under or entered into pursuant to this Agreement, or to achieve the objectives of the Project.
Article V
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 responsible for finance.

5.02. **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

5.03. **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  (MCI) or 1-202-477-6391
Telex: 64145 (MCI)