Financing Agreement

(Pay and Performance Project)

between

REPUBLIC OF SIERRA LEONE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 26, 2012
FINANCING AGREEMENT

AGREEMENT dated June 26, 2012, entered into between REPUBLIC OF SIERRA LEONE ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). 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 eleven million Special Drawing Rights (SDR 11,000,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 June 15 and December 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 Dollar.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project 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 — EFFECTIVENESS; TERMINATION

4.01. The Recipient has adopted the Project Implementation Manual in accordance with the provisions of Section I.B of Schedule 2 to this Agreement.

4.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

4.03. For purposes of Section 8.05 (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 (20) years after the date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Recipient’s Representative is its minister responsible for finance.

5.02. The Recipient’s Address is:

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

Facsimile: 232 222 284 72
5.03. The Association’s Address is:

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

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

Washington, D.C.

AGREED at Washington DC, USA, as of the day and year first above written.

REPUBLIC OF SIERRA LEONE

By

Authorized Representative

Name: Boceatu Stevens
Title: Ambassador

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: Sergey Kulya
Title: Acting Country Director
SCHEDULE 1

Project Description

The objectives of the Project are to improve competitiveness in pay, performance management and accountability of, and increase staffing of middle and senior staff in, the Civil Service in the territory of the Recipient.

The Project consists of the following parts:

Part 1: Results Based Financing

Carrying out of a program of activities to further the implementation of the Recipient’s Medium-Term Public Sector Reform (“MTPSR”), said program of activities to consist of the following:

(a) **Pay Reform:** (i) paying Civil Servants according to the Pay Structure;

(b) **Recruitment and Staffing:** (i) developing and approving the Recruitment Procedures; (ii) prioritizing and filling vacancies in Grade 6 and above in accordance with the Annual Recruitment Plans; and (iii) integrating LTAs in accordance with an approved Mainstreaming Policy and Action Plan; and

(c) **Performance Management:** (i) designing and implementing an appropriate Performance Appraisal Process; (ii) designing and implementing a Performance Contract Management Process for managers in the Civil Service; (iii) publishing the Performance Targets of all Ministries; and (iv) evaluating the overall performance of said Ministries together with relevant non-state actors.

Part 2: Technical Assistance

Provision of technical assistance in order to ensure the satisfactory implementation of Part 1 of the Project, said technical assistance to consist of the following:

(a) developing and implementing an appropriate communications program to, _inter alia_, enhance the transparency of MTPSR;

(b) developing and implementing appropriate measures to enhance the accountability of the Recipient’s Civil Service, said measures to include, _inter alia_, the disclosure of MTPSR related information on website of the Recipient, the provision of a recruitment complaint mechanism, and the organization of public MTPSR forums;
(c) conducting a comprehensive job evaluation and labor market survey, and developing a Grading Structure and a Pay Structure for the Civil Service; and

(d) providing technical advisory services to PSC and HRMO for their proper implementation of Part 1 of the Project, and to PSRU for its proper implementation of Part 2 of the Project.
SCHEDULE 2

Project Execution

Section I. Institutional and Implementation Arrangements

A. Institutional Arrangements

The Recipient shall maintain the following institutional structure:

1. HRMO

The Recipient shall, throughout Project implementation, designate the Human Resources Management Office ("HRMO") to have the overall responsibility for the implementation of Part 1 (a) and (c) of the Project, and to this end shall ensure that the HRMO shall be supported by qualified and experienced staff in adequate numbers and other resources satisfactory to the Association, including, inter alia, the director-general of HRMO who shall be the focal officer for Part 1 (a) and (c) of the Project.

2. PSC

The Recipient shall, throughout Project implementation, designate the Public Service Commission ("PSC") to have the overall responsibility for the implementation of Part 1 (b) of the Project, and to this end shall ensure that the PSC shall be supported by qualified and experienced staff in adequate numbers and other resources satisfactory to the Association, including, inter alia, the chairman of PSC who shall be the focal officer for Part 1 (b) of the Project.

3. PSRU

The Recipient shall, throughout Project implementation, designate within the office of the Recipient’s president the Public Sector Reform Unit ("PSRU") to have the overall responsibility for the implementation of Part 2 of the Project and the coordination and monitoring of Part 1 of the Project, and to this end shall ensure that the PSRU shall be supported by qualified and experienced staff in adequate numbers and other resources satisfactory to the Association, including, inter alia, (i) the director of PSRU who shall be the Project director, (ii) a monitoring and evaluation specialist, (iii) a communications officer, and (iv) a part-time procurement specialist.

4. Leadership Team

The Recipient shall maintain, throughout Project Implementation, a leadership team with structure, functions and responsibilities acceptable to the Association. To this end, said leadership team shall: (a) be chaired by the Recipient’s minister of finance and economic development; (b) consist of the chairman of PSC, the director general of HRMO, the director of PSRU, the secretary to the Recipient’s cabinet and head of the Civil Service, the chief of staff of the office of the Recipient’s president, and the
secretary to the Recipient’s president; (c) be responsible for regularly monitoring the progress of the achievement of the Disbursement Linked Indicators (“DLIs”) and to ensure the satisfactory implementation of the Project; and (d) meet at least once a month during the first year of the Project and thereafter at least once every two months throughout Project implementation.

5. SCPSR

The Recipient shall maintain, at all times during the implementation of the Project, the Steering Committee on Public Sector Reform (“SCPSR”), with a mandate, a composition and resources satisfactory to the Association. To this end, said SCPSR shall: (a) be chaired by the secretary to the President of the Recipient; (b) consist of representatives from key Ministries and civil society, and leaders from across the Recipient’s public sector; and (c) be responsible for ensuring the satisfactory strategic oversight of the Project.

6. CSSC

The Recipient shall maintain, at all times during the implementation of the Project, the Civil Service Steering Committee (“CSSC”), with a mandate, a composition and resources satisfactory to the Association. To this end, said CSSC shall: (a) be chaired by the secretary to the Recipient’s cabinet and head of the civil service; (b) consist of, inter alia, the secretary to the Recipient’s vice president, the director of PSRU, the director-general of HRMO, the Recipient’s financial secretary, and the secretary of the PSC; and (c) be responsible for approving, inter alia, the Recruitment Procedures, and the Mainstreaming Policy and Action Plan.

B. Implementation Arrangements

Project Implementation Manual

1. The Recipient shall prepare and adopt a Project Implementation Manual (“PIM”) in form and substance satisfactory to the Association, such manual to include procedures and arrangements for: (a) institutional coordination and day-to-day execution of the Project; (b) disbursement and financial management; (c) the key performance indicators for monitoring and evaluating the Project; (d) procurement; and (e) such other administrative, financial, technical and organizational arrangements and procedures as shall be required for the Project.

2. The Recipient shall carry out the Project in accordance with the PIM. 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 PIM or any provision thereof.
3. In case of any conflict between the terms of the PIM and those of this Agreement, the terms of this Agreement shall prevail.

C. **Anti-Corruption**

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

D. **Safeguards**

The Recipient shall ensure, if any LTAs’ employments are being terminated as a result of the findings from the Mainstreaming Policy and Action Plan, that said LTAs whose employments are being terminated are treated in accordance with the Recipient’s labor laws and compensated appropriately to the extent so required by said laws.

**Section II. Project Monitoring, Reporting and Evaluation**

A. **Project Reports**

1. The Recipient shall monitor and evaluate the progress 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. Each Project Report shall cover the period of one (1) calendar semester (i.e. January 1 to June 30 and July 1 to December 31 respectively), and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.

2. The Recipient shall: (a) on or about the date twenty-four (24) months after the Effective Date, prepare and furnish to the Association a mid-term report, in such detail as the Association shall reasonably request, documenting progress achieved in the carrying out of the Project during the period preceding the date of the mid-term report, taking into account the monitoring and evaluation activities performed pursuant to paragraph 1 of this Part A, and setting out the measures recommended to ensure the continued efficient carrying out of the Project and the achievement of its objectives during the period following such date; and (b) review with the Association the mid-term report, on or about the date one (1) month after its submission, and thereafter take all measures required to ensure the continued efficient implementation of the Project and the achievement of its objectives, based on the conclusions and recommendations of the mid-term report and the Association’s views on the matter.

B. **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 to the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association not later than January 15 and July 15 respectively of each calendar year covering the immediately preceding calendar semester (i.e. January 1 to June 30 and July 1 to December 31 respectively), interim unaudited financial reports ("IUFRs") for Part 1 of the Project covering the semester, in form and substance satisfactory to the Association. Notwithstanding the foregoing, the first IUFR shall cover the period commencing on January 1, 2012, through the end of the first of the above-mentioned semesters in which the Effective Date occurred.

3. Without limitation to 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 calendar quarter, IUFRs for Part 2 of the Project covering the quarter, in form and substance satisfactory to the Association. Notwithstanding the foregoing, the first IUFR shall cover the period commencing on the cut-off-date for retroactive financing set forth in Section IV.B.1 (a)(ii) of this Schedule until the end of the first of the above-mentioned quarters in which the Effective Date took place.

4. 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 and Non-consulting Services. All goods 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 and Non-consulting Services

1. **International Competitive Bidding.** Goods and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **Other Methods of Procurement of Goods and Non-consulting Services.** The following method, other than International Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts specified in the Procurement Plan: (a) National Competitive Bidding; (b) Shopping; and (c) Direct Contracting.

3. **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 (“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 Association.

   (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 Association 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 Recipient. 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 Association.

(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 Association’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 Section 1.16 (a) of the Procurement Guidelines. The Association will sanction a firm or an individual, at any time, in accordance with prevailing Association sanctions procedures, including by publicly declaring such firm or individual ineligible, either indefinitely or for a stated period of time: (i) to be awarded an Association-financed contract; and (ii) to be a nominated sub-contractor, consultant, supplier, or service provider of an otherwise eligible firm being awarded an Association-financed contract.

(q) In accordance with Section 1.16 (e) of the Procurement Guidelines, each bidding document and contract financed out of the proceeds of the Financing shall provide that bidders, suppliers and contractors, and their subcontractors, agents, personnel, consultants, service providers, or suppliers, shall permit the Association 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 Association. Acts intended to materially impede the exercise of the
Association's inspection and audit rights provided for in Section 1.16 (e) of the Procurement Guidelines constitute an obstructive practice as defined in Section 1.16 (a)(v)(bb) of the Procurement Guidelines.

(r) The Association 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 Association confirms that the particular debarment procedure afforded due process and the debarment decision is final.

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) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants’ Qualifications; (e) Single-source Selection of consulting firms; (f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (g) Single-source procedures for the Selection of Individual Consultants.

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, the percentage of expenditures to be financed for Eligible Expenditures in each Category, and the date on or after which the amount so allocated may be withdrawn (subject to the provisions of Part B of this Section):

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
<th>Date on or after which Withdrawal may be Made</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Eligible Expenditures Program under Part 1 of the Project:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) First Withdrawal</td>
<td>2,000,000</td>
<td>100%</td>
<td>July 15, 2012 or Effective Date if said Effective Date is later than July 15, 2012</td>
</tr>
<tr>
<td>(b) Second Withdrawal</td>
<td>1,200,000</td>
<td>100%</td>
<td>six months after First Withdrawal</td>
</tr>
<tr>
<td>(c) Third Withdrawal</td>
<td>3,300,000</td>
<td>100%</td>
<td>one year after Second Withdrawal</td>
</tr>
<tr>
<td>(d) Fourth Withdrawal</td>
<td>3,300,000</td>
<td>100%</td>
<td>one year after Third Withdrawal</td>
</tr>
<tr>
<td>(2) Goods, non-consulting services, consultants' services, Operating Costs, and Training under Part 2 of the Project</td>
<td>1,200,000</td>
<td>100%</td>
<td>n/a</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>11,000,000</td>
<td></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:

(a) for payments made prior to the date of this Agreement, except that:

(i) withdrawals up to an aggregate amount not to exceed U.S.$3,000,000 equivalent may be made for payments made prior to this date but on or after January 1, 2012, for Eligible Expenditures under Category (1)(a); and

(ii) withdrawals up to an aggregate amount not to exceed U.S.$200,000 equivalent may be made for payments made prior to this date but on or after January 1, 2012, for Eligible Expenditures under Category (2);

(b) under Category (1)(a) unless the Recipient shall have furnished to the Association:

(i) the IUFR for the period ending June 30, 2012; and

(ii) by no later than July 15, 2012, or the Effective Date if said Effective Date is later than July 15, 2012, evidence, satisfactory to the Association, of the achievement of DLIs 1.1, 2.1, and 2.2, as set out in the DLI Table;

(c) under Category (1)(b) unless the Recipient shall have furnished to the Association:

(i) the IUFR for the period ending December 31, 2012; and

(ii) by no later than six (6) months after the First Withdrawal, evidence, satisfactory to the Association, of the achievement of DLIs 2.3 and 3.1, as set out in the DLI Table;

(d) under Category (1)(c) unless the Recipient shall have furnished to the Association:

(i) the IUFRs for the periods ending June 30, 2013, and December 31, 2013, respectively; and

(ii) by no later than one (1) year after the Second Withdrawal, evidence, satisfactory to the Association, of the achievement of DLIs 1.2, 1.3, 2.4, 2.5 and 3.2, as set out in the DLI Table; or
(e) under Category (1)(d) unless the Recipient shall have furnished to the Association:

(i) the IUFRs for the periods ending June 30, 2014, and December 31, 2014, respectively; and

(ii) by no later than one (1) year after the Third Withdrawal, evidence, satisfactory to the Association, of the achievement of DLIs 2.6, 3.3, 3.4, 3.5 and 3.6, as set out in the DLI Table.

2. Notwithstanding the provisions of Part B.1 of this Section, the Recipient may withdraw: (i) an amount not to exceed the equivalent of U.S.$1,000,000 as an advance under Category (1)(a) on or after the withdrawal commencement date assigned to said Category; (ii) an amount not to exceed the equivalent of U.S.$2,500,000 as an advance under Category (1)(b) on or after the withdrawal commencement date assigned to said Category; and (iii) an amount not to exceed the equivalent of U.S.$2,500,000 as an advance under Category (1)(c) on or after the withdrawal commencement date assigned to said Category, provided, however, in each case, that if the DLIs for said Category referred to in Part B.1 (b)(ii), (c)(ii), or (d)(ii) of this Section (as the case may be) in the opinion of the Association, are not achieved (or only partially achieved) by the date referred to in said Part, the Recipient shall refund such advance (or portion of such advance as determined by the Association) to the Association promptly upon notice thereof by the Association. Except as otherwise agreed with the Recipient, the Association shall cancel the amount so refunded.

3. Notwithstanding the provisions of Part B.1 of this Section, if, in respect of any Category, the Association is not satisfied that one (or more) of the DLIs referred to in said Part B.1 as a condition of withdrawal under said Category has been fully achieved by the date specified in said Part B.1, the Association may at any time, by notice to the Recipient, decide in its sole discretion to: (a) authorize the withdrawal of all or a portion of the unwithdrawn proceeds of the Credit then allocated to said Category, at such later date (prior to the Closing Date) as the Association shall be satisfied that such DLI (or DLIs) has (or have) been achieved; (b) reallocate all or a portion of the proceeds of the Credit then allocated to such Category to any other Category; and/or (c) cancel all or a portion of the proceeds of the Credit then allocated to such Category.

4. Notwithstanding the foregoing provisions of this Section IV, if the Association determines:

(a) at any time prior to the Closing Date that the then Withdrawn Credit Balance exceeds the total amount of Eligible Expenditures then incurred by the Recipient, the Association may, by notice to the Recipient, decide in its sole discretion to deduct the excess amount from future withdrawals under Categories (1)(a) through (1)(d) or to require a refund
of the excess (in which case the amount so refunded shall be cancelled); or

(b) after the Closing Date that the Withdrawn Credit Balance exceeds the total amount of Eligible Expenditures incurred by the Recipient, exclusive of any such expenditures financed by any other financier or by the Association under the Credit or the Association under any other loan, credit or grant, the Recipient shall, promptly upon notice from the Association, refund to the Association such excess amount of the Withdrawn Credit Balance. The Association shall cancel the refunded amount of the Withdrawn Credit Balance.

5. The Closing Date is October 31, 2015.

Section V. **Other Undertakings.**

The Recipient shall ensure that, not later than thirty (30) days after the Effective Date and throughout the period of Project implementation: (1) the authority to make any changes to the personnel records and payroll of Civil Servants is vested in and restricted to the HRMO; and (2) an appropriate system, acceptable to the Association, to audit such records and payroll, including any such changes, is established and maintained.
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 June 15 and December 15:</td>
<td></td>
</tr>
<tr>
<td>commencing June 15, 2022 to and including December 15, 2031</td>
<td>1%</td>
</tr>
<tr>
<td>commencing June 15, 2032 to and including December 15, 2051</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.
## SCHEDULE 4

Disbursement Linked Indicators

<table>
<thead>
<tr>
<th>DISBURSEMENT LINKED INDICATOR</th>
<th>ACTIONS TO BE COMPLETED FOR DISBURSEMENTS IN YEAR 0 (THROUGH JUNE 30, 2012)</th>
<th>ACTIONS TO BE COMPLETED FOR DISBURSEMENTS IN YEAR 1 (JULY 1, 2012 THROUGH DECEMBER 31, 2012)</th>
<th>ACTIONS TO BE COMPLETED FOR DISBURSEMENTS IN YEAR 2 (CALENDAR YEAR 2013)</th>
<th>ACTIONS TO BE COMPLETED FOR DISBURSEMENTS IN YEAR 3 (CALENDAR 2014)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Pay reform</td>
<td>(1.1) HRMO has conducted and completed a remuneration survey.</td>
<td>(1.2) All Civil Service jobs have been evaluated in accordance with a Job Evaluation Scheme and assigned to a Grading Structure approved by the CSSC.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>(1.3) 100% of Civil Servants in Grade 6 and above are paid in accordance with the approved Pay Structure.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(2) Recruitment and staffing</td>
<td>(2.1) The appropriate open, competitive and merit-based Recruitment Procedures have been designed by PSC in collaboration with HRMO and approved by CSSC.</td>
<td>(2.3) At least 60% of Priority Vacancies have been filled in accordance with the Annual Recruitment Plans and the approved Recruitment Procedures.</td>
<td>(2.4) At least 80% of Priority Vacancies have been filled in accordance with the Annual Recruitment Plans and the approved Recruitment Procedures.</td>
<td>(2.6) At least 90% of Priority Vacancies have been filled in accordance with the approved Recruitment Plans and the approved Recruitment Procedures.</td>
</tr>
<tr>
<td></td>
<td>(2.2) Seven staff have been recruited to PSC and trained to manage recruitments and selection.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
(3) Performance management

(3.1) Appropriate guidelines for Performance Contract management for Civil Servants in Grade 11 and above in all Ministries have been prepared by HRMO and approved by CSSC.

(3.2) All Pilot Ministries have completed one annual cycle of the Performance Appraisal Process for Civil Servants in Grades 7 to 10.

(3.3) At least 80% of the annual Performance Appraisal Reports for calendar year 2014 for Civil Servants in Grade 7 to 10 in Pilot Ministries are of appropriate quality.

(3.4) At least 80% of the annual Performance Reports for calendar year 2014 for Civil Servants in Grade 11 and above on Performance Contracts in Pilot Ministries are of appropriate quality.

(3.5) All Ministries' performances against Performance Targets have been evaluated jointly by the Recipient and relevant non-state actors.

(3.6) Publication of: (i) all Ministries' Performance Targets; and (ii) achievements against Performance Targets.
APPENDIX

Section I. Definitions

1. “Annual Recruitment Plans” means the Recipient’s recruitment plans prepared by HRMO for each Fiscal Year for recruitment of Civil Servants to fill Priority Vacancies that are affordable within the budget adopted by the Recipient’s ministry responsible for finance for said Fiscal Year.


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

4. “Chart of Accounts” means the Recipient’s budget and accounting classification of eligible expenditures under the MTPSR.

5. “Civil Servants” means employees in the Recipient’s Civil Service engaged on permanent and written contract-based terms other than: (i) employees holding political positions; (ii) members of the Recipient’s judiciary, armed forces, and the police; (iii) teachers in schools and tertiary institutions; and (iv) employees in parastatal institutions. “Civil Servant” mean one of such Civil Servants.

6. “Civil Service” means all the Recipient’s executive entities (other than the judiciary, armed forces, police, schools and tertiary education institutions, and parastatal institutions).

7. “Civil Service Steering Committee” or “CSSC” means the committee referred to in Section I.A.6 of Schedule 2 to this Agreement.


9. “Disbursement Linked Indicators” or “DLIs” means the disbursement-linked targets set forth in the columns entitled “Actions to be Completed for Disbursements in Year 0”, “Actions to be Completed for Disbursements in Year 1”, “Actions to be Completed for Disbursements in Year 2”; and “Actions to be Completed for Disbursements in Year 3”, in Schedule 4 to this Agreement, which are to be achieved in a manner satisfactory to the Association. “DLI” means any one of such DLIs, each DLI having the value of U.S.$1,000,000 equivalent for the purpose of Section IV of Schedule 2 to this Agreement.
10. "DLI Table" means the table set forth in Schedule 4 to this Agreement.

11. "Eligible Expenditures Program" means a set of expenditures consisting of goods, consultants’ services, non-consulting services, Operating Costs, Training and salaries of Civil Servants incurred by the Recipient for the implementation of Part 1 of the Project, as further described in the Chart of Accounts.

12. "First Withdrawal" means the withdrawal referred to in Category 1 (a) in the table in Section IV of Schedule 2 to this Agreement.

13. "Fiscal Year" or "FY" means the Recipient’s fiscal year, which commences on January 1 of each year and closes on December 31 of the same calendar year.

14. "Fourth Withdrawal" means the withdrawal referred to in Category 1 (d) in the table in Section IV of Schedule 2 to this Agreement.


16. "Grade" means each of the numbered grades in the Recipient’s current grading structure, which runs on a scale from 1 to 14. "Grades" means more than one of such Grade.

17. "Grading Structure" means the Recipient’s grading structure, acceptable to the Association, to be approved by CSSC, providing a hierarchy of grades on a scale from 1 and above into which all jobs in the Civil Service are to be assigned, based on the findings from the job evaluation and labor market survey referred to in Part 2 (c) of this Project.

18. "Human Resources Management Office" or "HRMO" means the Recipient’s office responsible for human resources management referred to in Section I.A.1 of Schedule 2 to this Agreement.

19. "IUFR" means any of the interim unaudited financial reports to be furnished to the Association by the Recipient pursuant to Section II.B.2 of Schedule 2 to this agreement. "IUFRs" means more than one IUFR.

20. "Job Evaluation Scheme" means the methodology for determining the relative worth of Civil Service jobs, acceptable to the Association, to be prepared by HRMO and approved by CSSC, which identifies the factors to be used in evaluating jobs and establishes weights and levels for each factor.

21. "Local Technical Assistants" or "LTAs" means officers recruited outside the Recipient’s prescribed recruitment process, including officers initially recruited
as project staff but currently performing Civil Service functions following the expiry of said projects.

22. “Mainstreaming Policy and Action Plan” means the Recipient’s policy and plan, satisfactory to the Association, to be prepared by HRMO and approved by CSSC for the appointment of LTAs to permanent Civil Service positions which will include principles and guidelines, the identification of LTAs, specification of authorized positions to be filled based on approved organization structures in relevant Ministries, determination of remuneration levels for each authorized position based on the remuneration survey referred to in the DLI Table and preparation of a recruitment plan which sets out the target number of positions to be filled according to the approved Recruitment Procedures.

23. “Medium-Term Public Sector Reform” or “MTPSR” means the Recipient’s reform program entitled “Public Sector Reform Programme – Improving Productivity through Management and Pay Reforms” and dated March 2012.

24. “Ministries” means the Recipient’s ministries.

25. “Operating Costs” means the operating costs incurred for the purposes of the implementation of the Project, including office supplies, utilities, consumables, rental charges, bank charges, advertising expenses, travel, per diems, accommodation, and salaries of selected support staff, but excluding salaries of consultants and salaries of officials of the Recipient’s civil service.

26. “Pay Structure” means the Recipient’s Civil Service pay structure acceptable to the Association and based on the results of the job evaluation and labor market survey referred to in Part 2 (c) of this Project to be approved by CSSC, providing a pay range and incremental steps for each Grade in the Grading Structure in which Civil Servants are paid.

27. “Performance Appraisal Process” means the Recipient’s process in which individual performance targets are agreed between a Civil Servant and his/her supervisor at the start of the FY and Performance Appraisal Reports are produced at the end of the FY, each such Performance Appraisal Process having a cycle of one FY.

28. “Performance Appraisal Reports” means reports providing an annual assessment of performance of Civil Servants in Grades 7 to 10 at the end of a FY against individual targets agreed on between a Civil Servant and his/her supervisor at the beginning of said FY.

29. “Performance Contract” means a signed agreement between a Civil Servant in grade 11 and above and his/her supervisor at the beginning of each FY in which the Civil Servant commits to the achievement of a set of Performance Targets.
30. “Performance Contract Management Process” means the Recipient’s process to agree on Performance Targets and produce quarterly and annual Performance Reports, each such Performance Contract Management Process having a cycle of one FY.

31. “Performance Reports” means reports providing a quarterly or annual assessment of the performance of Civil Servants in Grade 11 and above on Performance Contracts against targets agreed on between a Civil Servant and his/her supervisor.

32. “Performance Targets” means the results which are planned to be achieved during a given FY for Civil Servants.

33. “Pilot Ministries” means the Recipient’s ministries responsible for: (i) agriculture, forestry and food security; (ii) health and sanitation; (iii) works, housing and infrastructure; (iv) energy and water resources; (v) trade and industry; (vi) foreign affairs; (vii) fisheries and marine resources, and (viii) education, science and technology; or any successors thereto.

34. “Priority Vacancies” means the Recipient’s prioritized Civil Servants vacancies that are identified in the Annual Recruitment Plans.


36. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated April 18, 2012 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.

37. “Project Implementation Manual” or “PIM” means the manual for the implementation of the Project to be adopted by the Recipient in accordance with the provisions of Section I.B of Schedule 2 to this Agreement.

38. “Public Procurement Act” means the Recipient’s public procurement act entitled “The Public Procurement Act, 2004”.

39. “Public Service Commission” or “PSC” means the commission established pursuant to the Recipient’s constitution, act no. 6 of 1991, and referred to in Section I.A.2 of Schedule 2 to this Agreement.

40. “Public Sector Reform Unit” or “PSRU” means the public sector reform unit within the office of the Recipient’s president and referred to in Section I.A.3 of Schedule 2 to this Agreement.
41. "Recruitment Procedures" means the procedures acceptable to the Association to be designed by PSC in collaboration with HRMO and approved by CSSC, containing open, competitive and merit-based recruitment procedures for the Civil Service.

42. "Second Withdrawal" means the withdrawal referred to in Category 1 (b) in the table in Section IV of Schedule 2 to this Agreement.

43. "Steering Committee on Public Sector Reform" or "SCPSR" means the committee referred to in Section I.A.5 of Schedule 2 to this Agreement.

44. "Third Withdrawal" means the withdrawal referred to in Category 1 (c) in the table in Section IV of Schedule 2 to this Agreement.

45. "Training" means the reasonable cost associated with the participation of personnel involved in Project supported training activities, workshops and study tours, including travel and subsistence costs for training, workshops and study tour participants, costs associated with securing the services of trainers, rental of training and workshop facilities, preparation and reproduction of training and workshop materials, and other costs directly related to training course, workshop or study tour preparation and implementation.

46. "Year" means any of the time periods 0, 1, 2 and 3, as set forth in Schedule 4 to this Agreement, within which, at the latest, the respective DLIs in said Schedule have to be achieved.