Financing Agreement

(Productivity and Transparency Support Credit)

between

THE REPUBLIC OF SIERRA LEONE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated JUly 7, 2017
FINANCING AGREEMENT

AGREEMENT dated JULY 7, 2017, entered into between the REPUBLIC OF SIERRA LEONE ("Recipient") and the 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) 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 grant and a credit (collectively, "Financing") in the following amounts:

(a) an amount equivalent to sixteen million one hundred thousand Special Drawing Rights (SDR 16,100,000) ("Grant"); and

(b) an amount equivalent to five million nine hundred thousand Special Drawing Rights (SDR 5,900,000) ("Credit").

2.02. The Recipient may withdraw the proceeds of the Financing in support of the Program in accordance with Section II of Schedule 1 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 January 15 and July 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 2 to this Agreement.

2.07. The Payment Currency is Dollar.

2.08. Without limitation upon the provisions of Section 4.08 of the General Conditions (renumbered as such pursuant to paragraph 3 of Section II of the Appendix to this Agreement and relating to Cooperation and Consultation), 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 4.08 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;

(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 I to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

4.01. The Additional Events of Suspension consists of the following:

(a) A situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.
ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Condition of Effectiveness consists of the following:
   
   (a) 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 date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

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

6.02. The Recipient’s Address is:

   Ministry of Finance and Economic Development
   Treasury Building
   George Street
   Freetown, Sierra Leone
   Facsimile: 232 22 228 472

6.03. The Association’s Address is:

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

   Telex: 248423(MCI) Facsimile: 1-202-477-6391
AGREED at FREETOWN, SIERRA LEONE, as of the day and year first above written.

REPUBLIC OF SIERRA LEONE

By:

[Signature]

Authorized Representative

Name: [Name]

Title: [Title]

INTERNATIONAL DEVELOPMENT ASSOCIATION

By:

[Signature]

Authorized Representative

Name: [Name]

Title: [Title]
SCHEDULE 1

Program Actions; Availability of Financing Proceeds

Section I. Actions under the Program

A. Actions Taken Under the Program. The actions taken by the Recipient under the Program include the following:

1. The Recipient has introduced legislation to regulate and promote foundation seed production, multiplication and distribution by the private sector, and, to such end, the Minister of Agriculture has duly submitted the bill entitled “The Sierra Leone Seed Certification Act of 2017” to Parliament for its approval.

2. The Recipient has taken a decision in Cabinet (Memo No. CP (2017)8, dated March 15, 2017), approving a new fertilizer policy committing the Recipient to progressively reduce direct supply and distribution of fertilizer to farmers, in order to encourage private sector participation in the supply and distribution of fertilizers.

3. The Recipient, acting through its Ministry of Lands, has adopted the Land Policy Implementation Framework and Land Policy Implementation Plan (2016-2026) and submitted the same to Cabinet for endorsement.

4. The Recipient, acting through its Ministry of Fisheries, has published on its public website a list of all industrial vessels with an active license and certified in writing to the Association that all licensed vessels have a Vessel Monitoring System (VMS) or Automatic Identification System (AIS) and observers on board, in order to increase transparency and reinforce monitoring, control and surveillance of fishing activities.

5. The Recipient, acting through its Electricity Distribution and Supply Authority (“EDSA”), has approved a strategic plan to improve the financial situation of EDSA and reduce technical and commercial losses.

6. The Recipient’s Ministry of Education, Science and Technology (“MEST”) has issued the transition plan dated May 22, 2017 defining the timeline and milestones for the transfer of files, records and functionaries from MEST to the Teaching Service Commission (“TSC”), in accordance with the Teaching Service Commission Act of 2011.

7. The Recipient has taken a decision in Cabinet (Memo No. CP (2017)12, dated May 18, 2017) approving the development of an e-procurement system in order to increase transparency in procurement processes.
8. The Recipient, acting through its ACC, has issued a public notice urging all public officers who had not filed with the ACC a sworn declaration of income, assets and liabilities, as required by Section 119 of the Anti-Corruption Act of 2008, to comply with said requirement no later than October 31, 2016.

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. 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>(1) Single Withdrawal Tranche</td>
<td>16,100,000</td>
<td>5,900,000</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td>16,100,000</td>
<td>5,900,000</td>
</tr>
</tbody>
</table>

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

D. **Deposits of Financing Amounts.** Except as the Association may otherwise agree:

1. All withdrawals from the Financing Account shall be deposited by the Association into a foreign exchange account in the Bank of Sierra Leone.

2. The Recipient shall ensure that within two (2) days after each deposit of an amount of the Financing into the account referred to in paragraph C.1 above, an equivalent amount in Leones is transferred into the Consolidated Fund, and such amount is accounted for in the Recipient’s budget management system, in a manner acceptable to the Association.

3. Within thirty (30) days after deposit of an amount of the Financing into the account referred to in paragraph C.1 above, provide to the Association written certification by the Financial Secretary of the Recipient’s Ministry of Finance and Economic Development of the receipt of an equivalent amount in Leones into the
Consolidated Fund, the number of said account, the date of receipt and the exchange rate applied to translate the currency of the deposit into Leones.

E. **Audits.** The Recipient shall:

1. provide to the Association, within one month after submission to Parliament as required by the Public Financial Management Act 2016, the Auditor-General’s annual report and audited accounts of the Consolidated Fund for Fiscal Year 2017;

2. ensure that the annual financial statements of the Bank of Sierra Leone, as audited in accordance with international standards on audits promulgated by the International Federation of Accountants, are made publicly available through posting on the public website of the Bank of Sierra Leone;

3. have the accounts referred to in Part C above audited at the request of the Association by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards and with terms of reference acceptable to the Association; and furnish to the Association as soon as available, but in any case not later than six months after the Financing is deposited into the account designated by the Recipient pursuant to paragraph C.1 above, a certified copy of the report of such audit, of such scope and in such detail as the Association shall reasonably request; and

4. furnish to the Association such other information concerning the said accounts and their audit as the Association shall reasonably request.

F. **Excluded Expenditures.** The Recipient undertakes that the proceeds of the Financing shall not be used to finance Excluded Expenditures. If the Association determines at any time that an amount of the Financing was used to make a payment for an Excluded Expenditure, the Recipient shall, promptly upon notice from the Association, refund an amount equal to the amount of such payment to the Association. Amounts refunded to the Association upon such request shall be cancelled.

G. **Closing Date.** The Closing Date is December 31, 2018.
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 January 15 and July 15, commencing July 15, 2023 to and including January 15, 2055</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 3.03(b) of the General Conditions.
APPENDIX

Section I. Definitions

1. "ACC" means the Recipients's Anti-Corruption Commission established by [the Anti-Corruption Act of 2008].

2. "Basis Adjustment to the Service Charge" means the Association's standard basis adjustment to the Service Charge for credits in the currency of denomination of the Credit, in effect at 12:01 a.m. Washington, D.C. time, on the date on which the Credit is approved by the Executive Directors of the Association, and expressed either as a positive or negative percentage per annum.

3. "Cabinet" means the Recipient's Cabinet established pursuant to Article 59 of the Recipient's Constitution.

4. "Consolidated Fund" means the account for the Consolidate Fund as defined in the Recipient's Public Financial Management Act 2016, and described in Article 46 thereof.

5. "Excluded Expenditure" means any expenditure:

   (a) for goods or services supplied under a contract which any national or international financing institution or agency other than the Association or the Bank has financed or agreed to finance, or which the Association or the Bank has financed or agreed to finance under another credit, grant or loan;

   (b) for goods included in the following groups or sub-groups of the Standard International Trade Classification, Revision 3 (SITC, Rev.3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev.3 (1986) (the SITC), or any successor groups or subgroups under future revisions to the SITC, as designated by the Association by notice to the Recipient:

<table>
<thead>
<tr>
<th>Group</th>
<th>Sub-group</th>
<th>Description of Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>112</td>
<td></td>
<td>Alcoholic beverages</td>
</tr>
</tbody>
</table>
| 121   |           | Tobacco, un-
<pre><code>      |           | manufactured, tobacco refuse |
</code></pre>
<p>| 122   |           | Tobacco, manufactured (whether or not containing tobacco substitutes) |</p>
<table>
<thead>
<tr>
<th>Code</th>
<th>Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>525</td>
<td></td>
<td>Radioactive and associated materials</td>
</tr>
<tr>
<td>667</td>
<td></td>
<td>Pearls, precious and semiprecious stones, unworked or worked</td>
</tr>
<tr>
<td>718</td>
<td>718.7</td>
<td>Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors</td>
</tr>
<tr>
<td>728</td>
<td>728.43</td>
<td>Tobacco processing machinery</td>
</tr>
<tr>
<td>897</td>
<td>897.3</td>
<td>Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)</td>
</tr>
<tr>
<td>971</td>
<td></td>
<td>Gold, non-monetary (excluding gold ores and concentrates)</td>
</tr>
</tbody>
</table>

(c) for goods intended for a military or paramilitary purpose or for luxury consumption;

(d) for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws of the Recipient or international agreements to which the Recipient is a party, and any other goods designated as environmentally hazardous by agreement between the Recipient and the Association;

(e) on account of any payment prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and

(f) with respect to which the Association determines that corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Recipient or other recipient of the Financing proceeds, without the Recipient (or other such recipient) having taken timely and appropriate action satisfactory to the Association to address such practices when they occur.
6. "General Conditions" means the "International Development Association General Conditions for Credits and Grants", dated July 31, 2010, with the modifications set forth in Section II of this Appendix.

7. "Program" means the program of actions, objectives and policies designed to achieve sustainable and inclusive economic development set forth or referred to in the letter dated May 30, 2017, 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.

8. "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.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. The last sentence of paragraph (a) of Section 2.03 (relating to Applications for Withdrawal) is deleted in its entirety.

2. Sections 2.04 (Designated Accounts) and 2.05 (Eligible Expenditures) are deleted in their entirety, and the subsequent Sections in Article II are renumbered accordingly.

3. Sections 4.01 (Project Execution Generally) and 4.09 (Financial Management; Financial Statements; Audits) are deleted in their entirety, and the remaining Sections in Article IV are renumbered accordingly.

4. Paragraph (a) of Section 4.05 (renumbered as such pursuant to paragraph 3 above and relating to Use of Goods, Works and Services) is deleted in its entirety.

5. Paragraph (c) of Section 4.06 (renumbered as such pursuant to paragraph 3 above) is modified to read as follows:

   "Section 4.06. Plans; Documents; Records

   ... (c) The Recipient shall retain all records (contracts, orders, invoices, bills, receipts and other documents) evidencing expenditures under the Financing until two years after the Closing Date. The Recipient shall enable the Association's representatives to examine such records."

6. Paragraph (c) of Section 4.07 (renumbered as such pursuant to paragraph 3 above) is modified to read as follows:

   "Section 4.07. Program Monitoring and Evaluation"
... (c) The Recipient shall prepare, or cause to be prepared, and furnish to the Association not later than six months after the Closing Date, a report of such scope and in such detail as the Association shall reasonably request, on the execution of the Program, the performance by the Recipient and the Association of their respective obligations under the Legal Agreements and the accomplishment of the purposes of the Financing."

7. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

(a) The definition of the term “Eligible Expenditure” is modified to read as follows:

"'Eligible Expenditure' means any use to which the Financing is put in support of the Program, other than to finance expenditures excluded pursuant to the Financing Agreement."

(b) The term “Financial Statements” and its definition as set forth in the Appendix are deleted in their entirety.

(c) The term “Project” is modified to read “Program” and its definition is modified to read as follows:

"'Program’ means the program referred to in the Financing Agreement in support of which the Financing is made.” All references to “Project” throughout these General Conditions are deemed to be references to “Program”.