Financing Agreement
(Public Sector Strengthening Project)

between

REPUBLIC OF GUINEA-BISSAU

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 2015
AGREEMENT dated May 18, 2015, entered into between REPUBLIC OF GUINEA-BISSAU ("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 grant and a credit (collectively, "Financing") in the following amounts to assist in financing the project described in Schedule 1 to this Agreement ("Project"):

(a) an amount equivalent to one million six hundred thousand Special Drawing Rights (SDR 1,600,000) ("Grant"); and

(b) an amount equivalent to one million nine hundred thousand Special Drawing Rights (SDR 1,900,000) ("Credit").

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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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, through MEF, declares its commitment to the objective of the Project and the Program. To this end, the Recipient shall carry out the Project through RCU 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 — REMEDIES OF THE ASSOCIATION

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

(a) any legislative and regulatory texts governing the operations of RCU or any other entity involved in the implementation of the Project shall have been amended, suspended, abrogated, repealed or waived so as to materially and adversely affect the implementation of the Project.

(b) a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.

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

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Effectiveness Deadline is the date one hundred twenty (120) days after the date of this Agreement.

5.02. 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 VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient's Representative is its Minister responsible for economy and finance.

6.02. The Recipient's Address is:

   Ministério da Economia e Finanças
   Avenida Amilcar Cabral
   Caixa Postal no. 67
   Bissau
   Republic of Guinea-Bissau

   Phone: (245) 6752983

6.03. The Association's Address is:

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

   Cable: Telex: Facsimile:

   INDEVAS 248423 (MCI) 1-202-477-6391
AGREED at Dakar, Senegal, as of the day and year first above written.

REPUBLIC OF GUINEA-BISSAU

By

[Signature]

Authorized Representative

Name: H.E. Geraldo Joao Martins
Title: Minister, Ministry of Economy and Finance

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]

Authorized Representative

Name: Ms. Vera Songwe
Title: Country Director, Republic of Guinea-Bissau
SCHEDULE 1

Project Description

The objective of the Project is to assist the Recipient to re-establish basic systems for public financial management.

The Project consists of the following parts:

Component 1: Performance, Control and Transparency of the Public Revenues

Support the Recipient to progressively improve its technical capacity to handle revenue processes through adequate procedural and control systems to increase tax and customs revenue collection, as well as the efficiency, effectiveness and transparency of revenue administration.

1.1. Technical Assistance to Tax Collection: Support the Recipient to strengthen tax laws and administration to widen the tax base, increase revenue by collecting actual tax payables more efficiently, improve organization and simplify business taxation through the establishment of a simple and transparent system, an improved information system more compatible and interfaced with the Recipient’s Treasury.

1.2. Technical Assistance to Customs Administration: Support the Recipient to strengthen customs laws and administration for a more predictable taxation and increased revenue, a better organization and simplification of custom duties, the establishment of a simple and transparent system and a streamlined information system more compatible and interfaced with the Recipient’s Treasury.

1.3. Treasury Single Account, Debt and Statistics: Support the Recipient to strengthen its Treasury Directorate, ensure that all collected revenues are immediately transferred to the Treasury Single Account, strengthen its Treasury Committee to facilitate cash forecasts and cash management, avoid additional borrowing costs for the Recipient, rebuild statistics systems of its General Directorate for Forecast and Economic Studies, use Treasury statistics to improve TOFE, and publish economic and public financial data for civil society.

Component 2: Expenditure Control, Procurement, Accounting and Reporting

Support the Recipient to strengthen controls needed for fiscal discipline and promote transparency and accountability in public expenditures.

2.1. Budget and Internal Control Technical Assistance: Support the Recipient to restore the use of the financial management integrated system (SIGFIP) for all budgetary expenditures, design procedures for the interfacing of SIGFIP with other systems in the Recipient’s ministry in charge of finance, in the Recipient’s Central Bank and in the
Recipient’s line ministries and agencies (through an assessment of the quality of internal controls within each line ministry and agency).

2.2. **Procurement and Public Investment Management:** Support the Recipient to strengthen its Public Procurement Regulatory Agency, the Procurement Directorate and the Central Purchasing Unit and develop a national capacity building strategy through the preparation of new procedures manuals and national standard bidding documents, the creation of electronic tools to monitor procurement transactions and statistics, and the design of a procurement performance review mechanism.

2.3. **Power Generation and IT Hardware:** Support the Recipient to purchase and install hardware and equipment necessary to restore public financial management basic functions and carry out the necessary building renovation to accommodate this hardware and equipment.

**Component 3: Public Financial Management Reform Coordination and Project Management**

Support the Recipient to implement a mechanism for a structured approach to public financial management reform and institutional capacity strengthening.

3.1. **Public Financial Management Reform Oversight and Implementation Structure:** Support the Recipient to hire and maintain the RCU personnel to ensure capacity building and national ownership of the reforms.

3.2. **Project Management:** Support the Recipient to hire and maintain the RCU personnel to carry out the daily implementation of the Project.

3.3. **Public Financial Management, Procurement Education and Training Program:** Support the Recipient to strengthen the capacity of public financial management and procurement practitioners through training programs.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

The Recipient shall:

1. maintain the Project Steering Committee, throughout the period of Project implementation, to discuss strategic direction and orientation of public financial management reforms and public sector strengthening, approve the Annual Work Programs while providing overall coordination between the Recipient and the Development Partners, with terms of reference, composition and powers acceptable to the Association as further described in the Project Operations Manual.

2. maintain the RCU, throughout the period of Project implementation, to be responsible for prompt and efficient oversight, fiduciary and technical coordination and management of the implementation of activities under the Project, prepare the Annual Work Programs, hold regular meetings to discuss the implementation progress of the Project with all Focal Points and the Project Steering Committee, and take all actions, including, the provision of funding, personnel and other resources necessary to enable said RCU to perform said functions, with terms of reference, composition and powers acceptable to the Association as further described in the Project Operations Manual.

B. Annual Work Programs

1. The Recipient shall, not later than November 30 in each calendar year during Project implementation, prepare and furnish to the Association, a program of activities proposed for inclusion in the Project during the following calendar year ("Annual Work Program"), including: (a) a detailed timetable for the sequencing and implementation of said activities, (b) the types of expenditures required for such activities; and (c) the planned procurement methods for the expenditures.

2. The Recipient shall exchange views with the Association on each such proposed Annual Work Program, and shall thereafter carry out such program of activities for such following year as shall have been agreed between the Recipient and the Association.

3. Only those activities which are included in an Annual Work Program shall be included in the Project. Notwithstanding the foregoing, the Annual Work Program might be amended from time to time to include new activities with the prior and written concurrence of the Association.
C. **Anti-Corruption**

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

D. **Project Operations Manual**

1. The Recipient shall carry out the Project or shall cause the Project to be carried out in accordance with the Project Operations Manual.

2. The Recipient shall not amend the Project Operations Manual or any of its provisions without the prior written approval of the Association.

3. In the event of any conflict between the provisions of the Project Operations Manual and this Agreement, the provisions of this Agreement shall prevail.

**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 set forth in the Project Implementation Manual and found acceptable to the Association. Each Project Report shall cover the period of one calendar quarter, and shall be furnished to the Association not later than forty-five days after the end of the period covered by such report.

2. For purposes of Section 4.08(c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than six months after the Closing Date.

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 on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association as part of the Project Report and not later than forty-five (45) days after the end of each quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.

3. 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 fiscal year of the Recipient,
commencing with the fiscal year in which the first withdrawal was made under the Preparation Advance for the Project. The audited Financial Statements for each such period shall be furnished to the Association not later than six months after the end of such period.

Section III.  Procurement

A.  General

1. Goods, Works and Non-consulting Services. All goods, works 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, Works and Non-consulting Services

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. Other Methods of Procurement of Goods, Works and Non-consulting Services. The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan: (a) Limited International Bidding; (b) National Competitive Bidding subject to the additional provisions referred to in subparagraph 3 below; (c) Shopping; and (d) Direct Contracting.

3. Additional Provisions for National Competitive Bidding. Procurement of goods, works and non-consulting services under National Competitive Bidding shall be carried out through an open tender ("Concurso aberto") as set forth in the Guinea-Bissau National Procurement Code (Decreto Lei n° 2/2012 dated August, 20, 2012), subject to the provisions of Section I and paragraphs 3.3 and
3.4 of Section III of the Procurement Guidelines and the following additional provisions: (i) a minimum of 4 (four) weeks will be provided for preparation and submission of bids, after the issuance of the invitation for bids or availability of the bidding documents, whichever is later; (ii) for all procurement of goods, works, and non-consulting services, standard bidding documents acceptable to the Association will be used; (iii) bidding opportunities will be advertised in at least a national newspaper with wide circulation; (iv) bid evaluation and bidder qualifications criteria will be clearly specified in the bidding documents; (v) no preference margin will be granted to domestic and community bidders; (vi) no firm which is eligible in accordance with Section I of the Procurement Guidelines, whether foreign or domestic, will be excluded from participation in the competition; (vii) the results of the bid evaluation and of the award of the contract, and the procedures for bidders to protest, will be published; (viii) in case of an unsuccessful open bidding process ("Concurso infrutifero"), a new open tender ("Concurso aberto") will be launched; and (ix) in accordance with the Procurement Guidelines, each bidding document and contract shall include: provisions stating the Association’s policy to sanction firms or individuals found to have engaged in fraud and corruption; and provisions stating the Association’s policy with respect to inspection and audit of accounts, records and other documents relating to the bid submission and contract performance.

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) 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 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, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed by the Credit (inclusive of Taxes)</th>
<th>Amount of the Grant Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed by the Grant (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, Works, Non-Consulting Services, Consultants' Services, Operating Costs, Workshops and Training for the Project</td>
<td>1,350,000</td>
<td>100%</td>
<td>1,600,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Refund of Preparation Advance</td>
<td>550,000</td>
<td>Amount payable pursuant to Section 2.07 of the General Conditions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>1,900,000</td>
<td></td>
<td>1,600,000</td>
<td></td>
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</tbody>
</table>
B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement.

2. The Closing Date is December 31, 2018.

Section V. Other Undertakings

1. By December 31, 2016, or such other date as the Association shall agree upon, the Recipient through RCU shall: (i) carry out jointly with the Project Steering Committee, the Focal Points and the Association, a mid-term review of the implementation of operations under the Project, which shall cover the progress achieved in the implementation of the Project; and (ii) following such mid-term review, act promptly and diligently to take any corrective action as shall be agreed by the Association.

2. On or before one month after the Effective Date, the Recipient shall: (i) adopt the Project Operations Manual in form and substance satisfactory to the Association; and (ii) create and establish the Project Steering Committee and the RCU, both in form and substance satisfactory to the Association.
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, commencing on June 15, 2021 to and including December 15, 2052</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


2. “Annual Work Program” means the annual work program to be prepared and approved by the Recipient, through RCU not later than November 30 in each calendar year during Project implementation.

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

4. “Central Purchasing Unit” means a unit within the administrative structure of MEF in charge of procurement, or any successor thereto.

5. “Development Partners” means several donors involved in public financial management reforms in the Recipient’s territory (including, inter alia, the Association, the International Monetary Fund, the European Union, the African Development Bank and the United Nations Development Programme) as further described in the Project Operations Manual.


7. “Focal Points” means representatives from all the Recipient’s line ministries and agencies involved in the Project and participating in regular meetings with the RCU or with the Project Steering Committee to follow-up and coordinate the implementation of the Project with terms of reference and powers acceptable to the Association as further described in the Project Operations Manual.


9. “General Directorate for Forecast and Economic Studies” means Direcção Geral da Previsão e de Estudos Económicos, the Recipient’s general directorate within the administrative structure of MEF in charge of economic forecast and economic studies, or any successor thereto.

10. “IT” means information technology.
11. "MEF" means the Recipient’s Ministry in charge of economy and finance, or any successor thereto.

12. "Operating Costs" means recurrent costs of the Project: (i) operation and maintenance of vehicle, repairs, fuel and spare parts; (ii) computer maintenance, including hardware and software; (iii) communication costs and shipment costs (whenever these costs are not included in the cost of goods); (iv) office supplies; (v) rent and maintenance for office facilities; (vi) utilities and insurances, including health insurances for RCU staff; (vii) travel and per diem costs for technical staff carrying out supervisory and quality control activities; and (viii) salaries of support staff for RCU, but excluding salaries of the Recipient’s civil servants.

13. "Preparation Advance" means the advance referred to in Section 2.07 of the General Conditions, granted by the Association to the Recipient pursuant to the letter agreement signed on behalf of the Association/Bank on December 4, 2014 and on behalf of the Recipient on December 4, 2014.

14. "Procurement Directorate" means Direcção Geral dos Concursos Públicos, the Recipient’s general directorate within the administrative structure of MEF responsible for the legality of public procurement and contracts, or any successor thereto.


16. "Procurement Plan" means the Recipient’s procurement plan for the Project, dated January 29, 2015 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.

17. "Program" means the WAEMU PFM Directives designed to improve public financial management within its members, including the Recipient.

18. "Project Operations Manual" means a document to be adopted by the Recipient and found satisfactory to the Association and which shall contain, inter alia: (i) the terms of reference, functions and responsibilities for the members or personnel of the Project Steering Committee, RCU, and Focal Points; (ii) the procedures for procurement of goods, works, non-consulting services, consultants’ services, Operating Costs, Training and Workshops, as well as for financial management and audits under the Project; (iii) the indicators to be used in the monitoring and evaluation of the Project; (iv) flow and disbursement arrangements of Project funds; and (v) the communication strategy for the
Project; as said manual may be amended from time to time with the Association's prior approval.

19. "Project Steering Committee" means a committee to be created and established by the Recipient which includes the Recipient's Minister in charge of finance as chair and other representatives from the Recipient's line ministries and agencies involved in the Project as well as RCU and Development Partners involved in public financial management reforms in the Recipient’s territory, with terms of reference, composition and powers acceptable to the Association as further described in the Project Operations Manual.


21. "RCU" means Reform Coordination Unit, a unit created within the administrative structure of MEF to be responsible for prompt and efficient oversight, fiduciary and technical coordination and management of the implementation of activities under the Project, prepare and approve the Annual Work Program, hold regular meetings to discuss the implementation progress of the Project with all Focal Points and take all actions, including, the provision of funding, personnel and other resources necessary to enable said RCU to perform said functions, as further described in the Project Operations Manual.


23. "SIGFIP" means Sistema Integrado de Gestão das Finanças Públicas, the Recipient's system used for the preparation, processing, execution and control of its public budget.

24. "TOFE" means (exact name in Portuguese – Tabela das Operações Financeiras do Estado), the Recipient's operations summary table, established and operating pursuant to the WAEMU PFM Directives.

25. "Treasury Directorate" means Direcção do Tesouro, the Recipient’s directorate under the administrative structure of MEF, responsible, inter alia, for the central State treasury management and the conclusion of financial operations by the Recipient, or any successor thereto.

27. "Treasury Committee" means Comité de Tesouraria, the Recipient’s committee established and operating under the MEF’s regulation (Despacho do Ministro da Economia e Finanças No 85/GMEF/2014) dated October 31, 2014, or any successor thereto.

28. "WAEMU PFM Directives" means the directives adopted by the Western African Economic and Monetary Union on June 26, 2009 on a harmonized public financial management framework, including budget laws, government accounting, budget classifications, central government chart of accounts, central government operations summary table and transparency in public financial management which foresee the progressive implementation of new public financial management techniques to be completed by 2019, as published on the website: www.uefa-oa.int

29. "Workshops and Training" means workshops and training, including purchase and publication of materials, rental of facilities, course fees, study tours and travel and subsistence for participants, trainees and trainers.