

OFFICIAL
DOCUMENTS

GRANT NUMBER H925-SL

Financing Agreement

(Social Safety Net Project)

between

REPUBLIC OF SIERRA LEONE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated April 14, 2014

GRANT NUMBER H925-SL

FINANCING AGREEMENT

AGREEMENT dated April 14, 2014, 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 grant in an amount equivalent to four million six hundred thousand Special Drawing Rights (SDR 4,600,000) ("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 Payment Dates are March 15 and September 15 in each year.
- 2.05. The Payment Currency is Dollar.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objective 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 Additional Condition of Effectiveness consists of the following, namely, that the Recipient has prepared and adopted the Project Operational Manual, in accordance with the provisions of Section I.B.1 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 22 229 060; 228 472

- 5.03. The Association's Address is:

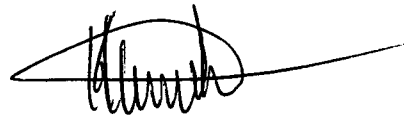
International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI)	1-202-477-6391

AGREED at Washington D.C., United States of America, as of the day and year first above written.

REPUBLIC OF SIERRA LEONE

By



Authorized Representative

Name: Kaifala Marah

Title: Minister

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative

Name: Yussupha B. Crookes

Title: Country Director

SCHEDULE 1

Project Description

The objective of the Project is to establish the key building blocks for a basic national safety net system and to provide income support to extremely poor households in Sierra Leone.

The Project consists of the following parts:

Part 1: Development of Systems for Implementation of Social Safety Net Interventions

Establishing key building blocks of a basic national safety net system, in particular: (a) design and development of tools for a three stage common targeting system consisting of: (i) geographical areas below the district level; (ii) community-based identification of potentially eligible households; and (iii) verification of households eligibility through proxy means testing; (b) developing and maintaining a registry of Beneficiaries; (c) developing and implementing an integrated management information system, including, among others, supply and installation of appropriate information and communications technology, hardware, software, internet connectivity, local area networks and mobile technology support; (d) identification of a payment system; and (e) designing and implementing appropriate grievance redress mechanisms and anti-corruption measures.

Part 2: Cash Transfers to Extremely Poor Households

Piloting a Cash Transfer Program designed to provide income support to Beneficiaries.

Part 3: Project Management and Capacity Building

- (a) Strengthening the capacity of NaCSA for day to day coordination, implementation and management (including, among others, fiduciary aspects, carrying out of audits, designing and implementing an information education and communications strategy and reporting) of Project activities and results, all through provision of technical advisory services, Training, Operating Costs, non-consulting services and acquisition of goods for the purpose.
- (b) Strengthening the technical and management capacities of sector ministries, institutions, agencies and Local Councils at central and local levels for coordination of national safety net interventions, all through provision of technical advisory services, Training, Operating Costs, non-consulting services and acquisition of goods for the purpose.

- (c) Strengthening monitoring and evaluation mechanisms in the sector, in particular: (i) regular monitoring activities (including field visits); (ii) external assessments (including process evaluations and targeting assessments); and (iii) carrying out of an impact evaluation.

SCHEDULE 2

Project Execution

Section I. Institutional and Implementation Arrangements

A. Institutional Arrangements

1. *National Social Protection Inter-Agency Forum*

The Recipient shall designate, at all times during the implementation of the Project, the National Social Protection Inter-Agency Forum, with a composition, mandate, terms of reference and resources satisfactory to the Association, to be responsible for, *inter alia*, overall coordination of the implementation of Project activities and provision of strategic and policy guidance on matters relating to the Project.

2. *NaCSA Board*

(a) Without limitation upon the provisions of paragraph 1 immediately above, the Recipient shall designate, at all times during the implementation of the Project, the NaCSA Board, to be responsible for, *inter alia*, overseeing day to day coordination, implementation, reporting and communication of Project activities and results. To this end, the Recipient shall take all actions including the provision of funding, personnel (all with qualifications, experience and terms of reference satisfactory to the Association) and other resources satisfactory to the Association, to enable said NaCSA Board to perform said functions.

(b) Without limitation upon the provisions of sub-paragraph (a) of this paragraph, the NaCSA Board shall be responsible for, *inter alia*: (i) approving annual work plans and budgets; (ii) the Project's fiduciary aspects (financial management and procurement); (iii) approving periodic progress and financial reports for onward transmission to the Association; (iv) supervising Project activities; and (v) liaising with other stakeholders on issues related to Project implementation.

B. Implementation Arrangements

1. *Project Operational Manual (Operational Manual; Cash Transfers Program Handbook)*

(a) The Recipient shall prepare, in accordance with terms of reference acceptable to the Association, a Project operational manual, consisting of: (i) a manual providing details of arrangements and procedures for the implementation of the Project, including: (A) capacity building activities

for sustained achievement of the Project's objective; (B) procurement, financial management (including audit) and disbursement arrangements; (C) institutional administration, coordination and day-to-day execution of Project activities; (D) monitoring, evaluation, reporting, information, education and communication arrangements of Project activities; and (E) such other administrative, financial, technical and organizational arrangements and procedures as shall be required for the Project; and (ii) a Cash Transfer Program handbook, setting forth the detailed policies and procedures for said program.

- (b) The Recipient shall afford the Association a reasonable opportunity to exchange views with the Recipient on said Project operational manual, and thereafter, shall adopt such Project operational manual, as shall have been approved by the Association ("Project Operational Manual").
- (c) The Recipient shall ensure that the Project is carried out in accordance with the Project Operational Manual; provided, however, that in case of any conflict between the provisions of the Project Operational Manual, on the one hand, and those of this Agreement, on the other, the provisions of this Agreement shall prevail.
- (d) The Recipient shall not amend or waive any provisions of the Project Operational Manual without the prior written agreement of the Association.

2. *Annual Work Plan and Budget*

- (a) The Recipient shall prepare and furnish to the Association not later than December 15 of each Fiscal Year during the implementation of the Project, a work plan and budget containing all activities proposed to be included in the Project during the following Fiscal Year, and a proposed financing plan for expenditures required for such activities, setting forth the proposed sources of financing.
- (b) Each such proposed work plan and budget shall specify any Training activities that may be required under the Project, including: (i) the type of Training; (ii) the purpose of the Training; (iii) the personnel to be trained; (iv) the institution or individual who will conduct the Training; (v) the location and duration of the training; and (vi) the cost of the Training.
- (c) The Recipient shall afford the Association a reasonable opportunity to exchange views with the Recipient on each such proposed work plan and budget and thereafter ensure that the Project is implemented with due diligence during said following Fiscal Year in accordance with such

work plan and budget as shall have been approved by the Association (“Annual Work Plan and Budget”).

- (d) The Recipient shall not make or allow to be made any change to the approved Annual Work Plan and Budget without the Association’s prior approval in writing.

C. Cash Transfer Program

1. *Procedures and Eligibility Criteria*

No proposed Beneficiary under the Cash Transfer Program shall be eligible to receive a Cash Transfer under said Cash Transfer Program, unless the Recipient shall have determined, on the basis of an appraisal conducted in accordance with guidelines acceptable to the Association and elaborated in the Project Operational Manual (“POM”), that the Beneficiary satisfies the following requirements, and such further requirements as are elaborated in said POM:

- (a) the Beneficiary: (i) has been pre-selected on the basis of a targeting system consisting of, *inter alia*: (A) a geographical targeting mechanism which has identified the Districts eligible to participate in the Cash Transfer Program; (B) a community targeting mechanism which has identified extremely poor or vulnerable households in said Districts (“potential Beneficiary”); and (C) a proxy means test which has verified said potential Beneficiary’s eligibility; and (ii) is enrolled in a registry of Beneficiaries;
- (b) the Beneficiary shall have, as part of the enrolment in said registry of Beneficiaries, received training on the Cash Transfer Program’s operations and requirements, including, *inter alia*, applicable Beneficiary conditionalities, if any; and
- (c) the Recipient shall have confirmed Beneficiary’s compliance with said conditionalities, if any.

2. *Terms and Conditions of Cash Transfer Program*

- (a) The Recipient shall, prior to the commencement of the Cash Transfer Program in any given District, retain in accordance with the provisions of Section III of this Schedule, one or more Payment Agencies, with terms of reference, qualifications and experience satisfactory to the Association, to assist the Recipient in administering payments under the Cash Transfer Program in said District.
- (b) The Recipient shall monitor and evaluate, under terms of reference satisfactory to the Association, the implementation of the Cash Transfer

Program, so as to ensure that payments made under the Cash Transfer Program are made exclusively to Beneficiaries for productive purposes consistent with the objectives of the Project.

D. Anti-Corruption

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

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 calendar quarter, 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, not later than one (1) month prior to the mid-term review referred to in paragraph 3 of this Section II.A, furnish to the Association for comments, a report, in such detail as the Association shall reasonably request, on the progress of the Project, and giving details of the various matters to be discussed at such review.
3. The Recipient shall, not later than eighteen (18) months after the Effective Date, undertake, in conjunction with all agencies involved in the Project, a comprehensive mid-term review of the Project during which it shall exchange views with the Association and implementing agencies generally on all matters relating to the progress of the Project, the performance by the Recipient of its obligations under this Agreement and the performance by said implementing agencies, having regard to the performance indicators referred to in paragraph 1 of this Section II.A.
4. Following the mid-term review, the Recipient shall act promptly and diligently in order to take any corrective action deemed necessary to remedy any shortcoming noted in the implementation of the Project, or to implement such other measures as may be required in furtherance of the objectives of the Project.

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. The Recipient shall prepare and furnish to the Association not later than forty-five (45) days after the end of each calendar 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 (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.
4. The Recipient shall, not later than two (2) months after the Effective Date, appoint: (a) a consultant for NaCSA's internal audit service; and (b) two assistant internal auditors, all in accordance with the provisions of Section III.C of Schedule 2 to this Agreement.
5. To facilitate the carrying out of external audits under Part B.3 of this Section II, the Recipient shall, not later than four (4) months after the Effective Date, appoint an external auditor, in accordance with the provisions of Section III.C of Schedule 2 to this Agreement.

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.** Except as otherwise provided in paragraph 2 below, 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 methods, 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, *subject to the additional provisions in paragraph 3 immediately below*; (b) Shopping; (c) Direct Contracting; and (d) Framework Agreements.
3. **Additional National Competitive Bidding (“NCB”) Procedures.** The procedures to be followed for NCB shall be the open competitive bidding procedures set forth in the Recipient’s Public Procurement Act (“the Act”), provided, however, that said procedures shall be subject to the provisions of Section I and paragraphs 3.3 and 3.4, respectively, of the Procurement Guidelines, and subject to the following additional procedures (i.e. exceptions to the Act):
 - (a) Bidding documents acceptable to the Association shall be used;
 - (b) Eligibility to participate in a procurement process and to be awarded an Association-financed contract 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. Foreign bidders shall be allowed to participate in NCB procedures, and foreign bidders shall not be obligated to partner with local bidders in order to participate in a procurement process;
 - (c) 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;
 - (d) No margins of preference of any sort (e.g., on the basis of bidder nationality, origin of goods, services or labor, and/or preferential programs) shall be applied in the bid evaluation;
 - (e) Joint venture or consortium partners shall be jointly and severally liable for their obligations. Bidders shall be given at least thirty (30) days from the date of publication of the invitation to bid or the date of availability of the bidding documents, whichever is later, to prepare and submit bids. Bids shall be submitted in a single envelope;

- (f) An extension of bid validity, if justified by exceptional circumstances, may be requested in writing from all bidders before the original bid validity expiration date, provided that such extension shall cover only the minimum period required to complete the evaluation and award a contract, but not to exceed thirty (30) days. No further extensions shall be requested without the prior written concurrence of the Association;
- (g) 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 written concurrence;
- (h) Qualification criteria shall be applied on a pass or fail basis;
- (i) Bidders shall be given at least twenty-eight (28) days from the receipt of notification of award to submit performance securities;
- (j) 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 as set forth in the Procurement Guidelines; and
- (k) In accordance with the Procurement Guidelines, each bidding document and contract shall include provisions stating the Association's policy with respect to inspection and audit of accounts, records and other documents relating to the submission of bids 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) 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.

E. Specific Procurement Covenant

The Recipient shall, not later than three (3) months after the Effective Date, update its procurement filing and record keeping system, in form and substance acceptable to 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:

Category	Amount of the Financing Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, non-consulting services, consultants' services, Training and Operating Costs under Parts 1 and 3 of the Project	2,200,000	100%
(2) Cash Transfer Program under Part 2 of the Project	2,400,000	100%
TOTAL AMOUNT	4,600,000	

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, except that withdrawals up to an aggregate amount not to exceed SDR 350,000 may be made for payments made prior to this date but on or after July 1, 2013, for Eligible Expenditures under Category (1).
2. The Closing Date is September 30, 2017.

APPENDIX

Definitions

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006, and revised in January 2011.
2. “Beneficiary” means a household which is eligible to receive a Cash Transfer under the Cash Transfer Program and is duly registered for the purpose; and “Beneficiaries” mean, collectively, two or more such households.
3. “Cash Transfer” means the cash payment to be made to a Beneficiary under the Cash Transfer Program, and “Cash Transfers” mean, collectively, two or more such cash payments.
4. “Cash Transfer Program” means the program referred to in Section I.C of Schedule 2 to this Agreement.
5. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
6. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011.
7. “District” means one of the following administrative units in the Recipient’s territory participating in the Cash Transfer Program: Bombali, Kono, Western Rural or Moyamba, and “Districts” mean, collectively, two or more said administrative units.
8. “Fiscal Year” means the fiscal year of the Recipient commencing on January 1 and ending on December 31 of the same year
9. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010.
10. “Local Council” means a council established and operating pursuant to Section 2 of the Local Government Act and any successor thereto, and “Local Councils” means, collectively, two or more said councils.
11. “Local Government Act” means the Act Number 1 of 2004 of the laws of the Recipient, as amended from time to time.
12. “NaCSA” means the Recipient’s National Commission for Social Action established and operating pursuant to Section 3 of the National Commission for

Social Action Act Number 13 of 2001, of the laws of the Recipient, and any successor thereto.

13. "NaCSA Board" means NaCSA's Board of Directors established and operating pursuant to Section 4 of the National Commission for Social Action Act Number 13 of 2001, of the laws of the Recipient, and any successor thereto.
14. "National Social Protection Inter-Agency Forum" means the Recipient's forum referred to in Section I.A.1 of Schedule 2 to this Agreement.
15. "Operating Costs" means the incremental expenses incurred on account of Project implementation, based on the Annual Work Plan and Budget approved by the Association pursuant to the provisions of Section I.B.2 of Schedule 2 to this Agreement, and consisting of expenditures for office supplies, vehicle operation and maintenance, maintenance of equipment, communication and insurance costs, office administration costs, utilities, rental, consumables, accommodation, travel and *per diem*, and salaries of Project staff, but excluding the salaries of the Recipient's civil service, meeting and other sitting allowances and honoraria to said Project staff.
16. "Payment Agencies" means competitively selected financial institutions, including, *inter alia*, banks, microfinance institutions and mobile phone companies, said financial institutions duly established and operating under the Recipient's laws and regulations, for the purpose of making Cash Transfers to Beneficiaries under the Cash Transfer Program.
17. "Procurement Guidelines" means the "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers", dated January 2011.
18. "Procurement Plan" means the Recipient's procurement plan for the Project, dated January 15, 2014 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.
19. "Project Operational Manual" or "POM" means the Recipient's manual referred to in Section I.B.1 of Schedule 2 to this Agreement.
20. "Public Procurement Act" means Act Number 14 of 2004 of the laws of the Recipient.
21. "Training" means the costs associated with training, workshops and study tours provided under the Project, based on the Annual Work Plan and Budget approved by the Association pursuant to Section I.B.2 of Schedule 2 to this Agreement, consisting of reasonable expenditures (other than expenditures for consultants'

services) for: (i) travel, room, board and *per diem* expenditures incurred by trainers and trainees in connection with their training and by non-consultant training facilitators; (ii) course fees; (iii) training facility rentals; and (iv) training material preparation, acquisition, reproduction and distribution expenses.