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CREDIT NUMBER 6299-SL

# Financing Agreement

(Sierra Leone Agro-Processing Competitiveness Project)

between

REPUBLIC OF SIERRA LEONE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

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**FINANCING AGREEMENT**

AGREEMENT dated as of the Signature Date between the REPUBLIC OF SIERRA LEONE ("Recipient") and the 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) apply to and form 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 a credit, deemed by the Association to be on concessional terms, as set forth or referred to in this Agreement, in an amount equivalent to seven million one hundred thousand Special Drawing Rights (SDR 7,100,000) (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 III of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance.
- 2.04. The Service Charge is three-fourths of one percent (3/4 of 1%) per annum on the Withdrawn Credit Balance.
- 2.05. The Payment Dates are February 15 and August 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 objective of the Project. To this end, the Recipient shall carry out the Project, through the Ministry of Trade and Industry, in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

**ARTICLE IV — EFFECTIVENESS; TERMINATION**

- 4.01. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.

**ARTICLE V — REPRESENTATIVE; ADDRESSES**

- 5.01. The Recipient's Representative is its minister for finance.

- 5.02. For purposes of Section 11.01 of the General Conditions:

- (a) the Recipient's address is:

Ministry of Finance  
Treasury Building  
George Street  
Freetown, Sierra Leone; and

- (b) the Recipient's Electronic Address is:

Facsimile: 232 22 228 472

- 5.03. For purposes of Section 11.01 of the General Conditions:

- (a) the Association's address is:

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

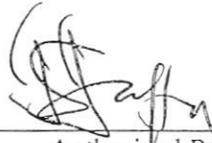
- (b) the Association's Electronic Address is:

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

AGREED as of the Signature Date.

REPUBLIC OF SIERRA LEONE

By:



Authorized Representative

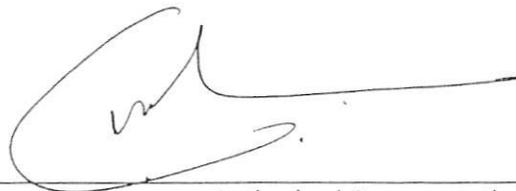
Name: Jacob Jusu Jaffa

Title: Minister of Finance

Date: 26/07/2018

INTERNATIONAL DEVELOPMENT ASSOCIATION

By:



Authorized Representative

Name: GAYLE MARTIN

Title: COUNTRY MANAGER

Date: JULY 26, 2018

## SCHEDULE 1

### Project Description

The objective of the Project is to improve the business environment in the agribusiness sector and increase productivity of targeted agro-processing firms in Sierra Leone.

The Project consists of the following parts:

#### **Part 1: Promote Enabling Environment for Agro-Processing Sector Competitiveness and Growth of Agribusiness Firms**

A program of activities to help reduce burdensome agribusiness sector regulations that constrain productivity and weaken incentives of existing agribusiness firms and SMEs to reinvest earnings or make new investments for sector growth and competitiveness, including technical assistance to:

- (a) (i) the Environmental Protection Agency (“EPA”) in generating evidence and good practices on environmental impact assessment for agribusiness to simplify procedures and reduce cost for obtaining environmental licenses; and (ii) selected private sector associations and public-sector agencies in strengthening the mechanism for public-private dialogue to provide a structured platform for systematic engagement between the public sector and private investors in the agribusiness subsector;
- (b) the Sierra Leone Investment and Export Promotion Agency (“SLIEPA”) in developing and implementing an aftercare program for the retention and expansion for agribusiness investors;
- (c) the Sierra Leone Standards Bureau (“SLSB”) in improving its capabilities for compliance with standards and conformity assessments; and
- (d) the Ministry of Trade and Industry (“MTI”), the Ministry of Agriculture and Forestry (“MAF”) and SME Development Agency (“SMEDA”) in strengthening their capacity to provide clearly defined services to support agro-processing, including enhanced institutional coordination for SMEs and other private sector actors, strategic planning and priority setting.

#### **Part 2: Firm-Level Support to Increase Productivity and Strengthen Competitiveness of Agro-Processing Firms and SMEs in Selected Value Chains**

A program of activities to increase the productivity and competitiveness of agro-processing SMEs and their suppliers in selected value chains, including:

Support for the PCU and the PFMU in the preparation, coordination and supervision of Project activities, including, *inter alia*, preparation of Safeguard Instruments and safeguards implementation, procurement, financial management, monitoring and evaluation and contract management.

**Part 3: Project Implementation, Coordination, Monitoring and Evaluation**

- (a) establishment of an SME Technical Assistance Facility for the provision of hands-on business advisory and technical assistance to selected SMEs, upstream and downstream market linkages for such SMEs, and investments in business innovations to companies at different stages of development within the agro-processing subsector, as well as to those providing goods and services to the agro-processing subsector; and
- (b) provision of matching grants ("Matching Grants") to selected SMEs participating in the SME Technical Assistance Facility to fund business or operational needs.

## SCHEDULE 2

### Project Execution

#### Section I. Implementation Arrangements

##### A. Institutional Arrangements

1. **Project Implementation Generally.** The Recipient shall designate, at all times during the implementation of the Project, the Ministry of Trade and Industry to be responsible for oversight and coordination of Project activities and shall cause to be taken all actions including the provision of funding, personnel and other resources necessary to enable the Ministry of Trade and Industry to implement the Project.
2. **Project Steering Committee**
  - (a) The Recipient shall establish and thereafter maintain, at all times during the implementation of the Project, a Project Steering Committee ("PSC") with a composition, mandate, and resources satisfactory to the Association to provide policy guidance and oversight for Project.
  - (b) Without limitation to sub-paragraph (a) above, the PSC shall be chaired by a representative of MTI and include representatives of MoF, MAF, Sierra Leone Investment and Export Promotion Agency; Sierra Leone Local Content Agency; Sierra Leone Standard Bureau, the Bank of Sierra Leone, the Sierra Leone Chamber of Commerce, and the Small and Medium Enterprises Development Agency, and representatives of such other ministries or agencies that the Recipient may deem necessary in consultation with the Association.
  - (c) Without limitation to sub-paragraph (a) above, the PSC shall be responsible for policy guidance and oversight during Project implementation, including, *inter alia*: (i) reviewing and approving annual work plans and budgets and the Procurement Plan; (ii) reviewing the progress of Project activities and addressing challenges as they arise; (iii) performing fiduciary oversight over financial management and procurement; and (iv) ensuring policy coherence and coordination among all entities undertaking activities under the Project, all in accordance with the provisions of this Agreement and of the POM.
3. **Project Coordination Unit**
  - (a) The Recipient shall maintain, at all times during the implementation of the Project, a Project Coordination Unit ("PCU") within the Ministry of Trade and Industry, with functions, staffing and resources satisfactory to the

Association for the purpose of ensuring overall coordination, implementation and communication of Project activities and results.

- (b) Without limitation to sub-paragraph (a) above, the PCU shall be headed by a Project Coordinator acceptable to the Association and include the TA Facility Manager, safeguards and monitoring and evaluation specialists and such other specialists as may be specified in the POM, all with qualifications and experience and competitively selected under terms of reference acceptable to the Association.
- (c) Without limitation to sub-paragraph (a) above, the PCU shall be responsible for: (i) preparing the POM, annual work plans and budgets and the Procurement Plan; (ii) reporting on progress and implementation issues to the PSC and to the Association; (iii) providing technical advice and guidance to selected implementing agencies and ministries to implement the Project activities; (iv) together with the PFMU, identifying potential implementing agencies and service providers and hiring, negotiating and signing contracts with these selected implementing partners; (v) ensuring compliance with social and environmental safeguards requirements, as set forth in Section I.D of this Schedule 2; and (vi) monitoring and evaluating the progress of the Project and preparing Project Reports, all in accordance with the provisions of this Agreement and of the POM.

4. **Implementation of Specific Parts of the Project.** Without limitation to the provisions of paragraphs 1 and 3 of this Section I.A:

- (a) the PCU shall be responsible for the implementation of activities under Part 1 of the Project;
- (b) the PCU shall be responsible for the overall coordination of Part 2 of the Project, provided that the TA Facility Manager, in close cooperation with the Project Coordinator, shall manage and implement the SME TA Facility and the Matching Grants, assisted and advised by such other staff and partners as may be set out in the POM; and
- (c) the PCU and the PFMU shall be responsible for the implementation of activities under Part 3 of the Project.

5. **Project Fiduciary Management Unit**

- (a) The Recipient shall maintain, at all times during the implementation of the Project, a Project Fiduciary Management Unit ("PFMU") within the Ministry of Finance, headed by the Financial Secretary, with functions staffing and resources satisfactory to the Association for managing the

fiduciary aspects of the Project including, financial management, procurement, monitoring and evaluation and audit.

(b) Without limitation on the foregoing, the FFMU shall be responsible for the procurement, financial management, monitoring and evaluation and internal audit under the Project, including: (i) reviewing procurement plans and procuring of goods and consultants' services to be financed out of the Credit in accordance with the provisions of this Agreement; (ii) maintaining a financial management system and preparing financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations, resources and expenditures related to the Project; (iii) having such financial statements audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnishing the statements as so audited to the Recipient and the Association; and (iv) preparing and submitting withdrawal applications to the Association and operating the designated account for the Project, all in accordance with the provisions of this Agreement and of the POM.

(c) The Recipient shall maintain appropriate administrative and regulatory arrangements throughout the implementation of the Project to ensure smooth collaboration between the PCU and FFMU, to ensure implementation of the Project.

#### B. Project Operations Manual (POM)

1. To facilitate efficient implementation of the Project, the Recipient shall prepare and adopt, in form and substance satisfactory to the Association, a Project Operations Manual no later than one month after the Effective Date, including: (i) a detailed description of Project activities; (ii) the specific roles and responsibilities of the PSC, PCU, FFMU and other entities participating in the implementation of the Project, and the arrangements for ensuring coordination among them; (iii) arrangements on fiduciary matters, including financial management and procurement; (iv) institutional administration coordination and day to day execution of Project activities; (v) selection criteria and modalities for technical assistance provided under Part I(a)(ii) of the Project; (vi) monitoring and evaluation; (vii) reporting; (viii) social and environmental safeguards requirements and procedures; and (ix) such other technical and organizational arrangements and procedures as shall be required for the Project.

2. The POM shall include separate chapters setting out the detailed arrangements and roles and responsibilities for the implementation of the SME Technical Assistance Facility and the Matching Grants, including: (i) key staff for the SME Technical Assistance Facility and their respective terms of reference; (ii) eligibility and

selection criteria for beneficiary SMEs and related procedures under the SME Technical Assistance Facility and under the Matching Grants, respectively; (iii) the terms and conditions for assistance under the SME Technical Assistance Facility and for the Matching Grants, respectively, including items eligible and ineligible for assistance and compliance by beneficiary SMEs with relevant requirements for the Project, including financial management, procurement, the Safeguards Instruments and the Anti-Corruption Guidelines; and (iv) arrangements for the supervision, reporting, monitoring and evaluation and auditing of activities supported by the SME Technical Assistance Facility or financed by the Matching Grants Program. Templates for service agreements and grant agreements with beneficiary SMEs shall be annexed to the POM.

3. The Recipient shall afford the Association a reasonable opportunity to exchange views with the Recipient on the draft POM, and thereafter, shall adopt the POM, in such form as shall have been approved by the Association.
4. The Recipient shall not amend, abrogate or waive, or permit to be amended, abrogated or waived, the POM or any of its provisions without prior approval in writing by the Association.
5. The Recipient shall ensure that the Project is carried out in accordance with the POM; *provided, however*, that in case of any conflict between the provisions of the POM and the provisions of this Agreement, the provisions of this Agreement shall prevail.

**C. Annual Work Plan and Budget**

1. The Recipient shall prepare and furnish to the Association not later than November 30 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 amounts and sources of financing.
2. 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").
3. The Recipient shall not make or allow to be made any material change to the approved Annual Work Plan and Budget without prior approval in writing by the Association.

**D. Safeguards**

1. The Recipient shall implement, and cause each Implementing Entity to implement, the Project in accordance with the relevant Safeguards Instruments. The Recipient shall not amend, abrogate or waive, or permit to be amended, abrogated or waived, the Safeguard Instruments or any provision thereof without prior approval in writing by the Association, subject to the same approval requirements as applicable to the adoption of the said instruments.
2. In cases of any activity requiring the preparation and adoption of an ESIA or ESMP, the Recipient shall proceed to have such ESIA and/or ESMP, as the case may be: (a) prepared in accordance with the ESMF; (b) submitted to the Association for review and approval; (c) thereafter adopted and disclosed in the Recipient's territory, prior to implementation of the activity; and (d) thereafter, take such measures as shall be necessary or appropriate to comply with the requirements of the ESMP.
3. Without limitation upon its other reporting obligations under this Agreement, the Recipient shall, for each applicable Safeguards Instrument, regularly collect, compile and furnish to the Association reports in form and substance satisfactory to the Association, on the status of compliance with each applicable Safeguards Instrument, as part of the Project Reports or separately if circumstances so warrant, giving details of:
  - (a) measures taken in furtherance of such Safeguards Instrument;
  - (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of such Safeguards Instrument; and
  - (c) remedial measures taken or required to be taken to address such conditions.
4. In the event that any provision of the Safeguards Instruments shall conflict with any provision under this Agreement, the provisions of this Agreement shall prevail.
5. The Recipient shall ensure that all studies to be carried out under the Project are undertaken pursuant to terms of reference reviewed and found satisfactory by the Association, and that such terms of reference shall be designed to ensure that said studies are consistent with the Association's environmental and social safeguard policies.

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

The Recipient shall furnish to the Association each Project Report not later than one month after the end of each calendar semester, covering the calendar semester.

**Section III. Withdrawal of the Proceeds of the Financing**

**A. General**

Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Recipient may withdraw the proceeds of the Financing to: (a) finance Eligible Expenditures; and (b) repay the Preparation Advance; in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

<b>Category</b>	<b>Amount of the Financing Allocated (expressed in SDR)</b>	<b>Percentage of Expenditures to be Financed (inclusive of Taxes)</b>
(1) Goods, works, non-consulting services, consulting services, Training and Operating Costs for Parts 1 and 3 the Project	2,155,000	100%
(2) Goods, works, non-consulting services, consulting services, Training for the SME Technical Assistance Facility under Part 2(a) of the Project	1,835,000	100%
(3) Matching Grants under Part 2(b) of the Project	2,400,000	100%
(4) Refund of Preparation Advance	710,000	Amount payable pursuant to Section 2.07 (a) of the General Conditions
<b>TOTAL AMOUNT</b>	<b>7,100,000</b>	

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made for payments made prior to the Signature Date.
2. The Closing Date is December 31, 2023.

Repayment Schedule

SCHEDULE 3

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each February 15 and August 15, commencing August 15, 2024 to and including February 15, 2056	1.5625%

\* 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 3.05(b) of the General Conditions.

1. "Anti-Corruption Guidelines" means, for purposes of paragraph 5 of the Appendix to the General Conditions, 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 and as of July 1, 2016.
2. "Category" means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
3. "Environmental and Social Impact Assessment" or "ESIA" means, with respect to each Project activity pursuant to which the ESMF requires an environmental and social impact assessment, such assessment carried out in accordance with the ESMF and the provisions of Section I.D of Schedule 2 to this Agreement.
4. "Environmental and Social Management Framework" and "ESMF" each means the Recipient's environmental and social management framework for the Project, disclosed by both the Recipient and the Association's InfoShop on May 28, 2018, setting out the modalities to be followed in assessing the potential adverse environmental and social impacts of Project activities (including impacts on natural habitat, forests, and physical cultural resources, pest management and risks of gender-based violence and sexual exploitation and abuse) and the measures to be taken to offset, reduce or mitigate such adverse impacts (including measures designed to prevent gender-based violence and sexual exploitation and abuse); as such framework may be amended by the Recipient from time to time, with the prior written agreement of the Association.
5. "Environmental and Social Management Plan" or "ESMP" means the document to be prepared, adopted and disclosed by the Recipient in accordance with the ESMF, any ESIA and the provisions of Section I.D of Schedule 2 to this Agreement.
6. "General Conditions" means the "International Development Association General Conditions for IDA Financing, Investment Project Financing", dated July 14, 2017.
7. "Implementing Entity" means any entity carrying out activities under the Project, including (but not limited to) MTI, the PCU, the PFMU and beneficiary SMEs under the SME TA Facility and the Matching Grants.
8. "Matching Grants" means the matching grants provided to eligible SMEs under Part 2(b) of the Project in accordance with this Agreement and the POM.
9. "Ministry of Agriculture and Forestry" or "MAF" means the Recipient's Ministry of Agriculture and Forestry, or any successor thereto.

### Definitions

## APPENDIX

10. "Ministry of Finance" or "MoF" means the Recipient's Ministry of Finance, or any successor thereto.
11. "Ministry of Trade and Industry" or "MTI" means the Recipient's Ministry of Trade and Industry, or any successor thereto.
12. "Operating Costs" means the reasonable incremental expenses arising under the Project, and based on the Work Plan and Budget, on account of vehicle operation and maintenance, maintenance of equipment, communication and insurance costs, office administration costs, utilities, rentals, accommodation, banking charges, advertising expenses, travel and *per diem*, but excluding the salaries of the Recipient's civil servants.
13. "Project Coordination Unit" or "PCU" means the Project Coordination Unit established under MoF for the purpose of ensuring overall coordination and implementation of Project activities, as referred to in Section I.A.3 of Schedule 2 to the Agreement.
14. "PFMU" means the Project Fiduciary Management Unit established under the Ministry of Finance responsible for the procurement, financial management, monitoring and evaluation and internal audit under the Project, as referred to in Section I.A.5 of Schedule 2 to the Agreement.
15. "Preparation Advance" means the advance referred to in Section 2.07(a) of the General Conditions, granted by the Association to the Recipient pursuant to the letter agreement signed on behalf of both the Association and the Recipient on March 2, 2018.
16. "Procurement Regulations" means, for purposes of paragraph 87 of the Appendix to the General Conditions, the "World Bank Procurement Regulations for IPF Borrowers", dated July 2016, revised November 2017.
17. "Project Operations Manual" or "POM" means the Recipient's manual referred to in Section I.B of Schedule 2 to this Agreement and providing details of arrangements and procedures for the implementation of the Project.
18. "Project Steering Committee" or "PSC" means the Project Steering Committee chaired by a representative of MTI, and responsible for, among other things, providing policy guidance and oversight for the Project, as referred to in Section I.A.2 of Schedule 2 to this Agreement.
19. "Safeguards Instruments" means the ESMF and any ESIA, ESMP or other instrument required under the terms of the ESMF, to be prepared by the Recipient and approved by the Association for the Project, proposing appropriate mitigation, monitoring and institutional measures designed to mitigate potential adverse

environmental and social impacts, offset them, reduce them to acceptable levels or enhance positive impacts, as the said instrument may be amended and/or supplemented from time to time only with the prior written agreement of the Association.

20. "Signature Date" means the later of the two dates on which the Recipient and the Association signed this Agreement and such definition applies to all references to "the date of the Financing Agreement" in the General Conditions.
21. "SME" means small and medium-term enterprises, as defined in the POM.
22. "SME TA Facility" means the facility established under Part 2(a) of the Project and operated in accordance with this Agreement and the POM.
23. "TA Facility Manager" means the manager recruited by the Recipient in accordance with Section I.A.3 of Schedule 2 to manage and implement the SME TA Facility and the Matching Grants.
24. "Training" means the costs associated with training, workshops and study tours provided under the Project, based on the Work Plan and Budget, consisting of reasonable expenditures (other than expenditures for consultants' services) for:  
(a) national and international travel, room, board and *per diem* expenditures incurred by trainers and trainees in connection with their training and by non-consultant training facilitators; (b) course fees; (c) training facility rentals; and (d) training material preparation, acquisition, reproduction and distribution expenses.