

FIA
368

GRANT NUMBER D268-SL

Financing Agreement

(Extractive Industries Technical Assistance Project Phase 2)

between

REPUBLIC OF SIERRA LEONE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION





GRANT NUMBER D268-SL

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

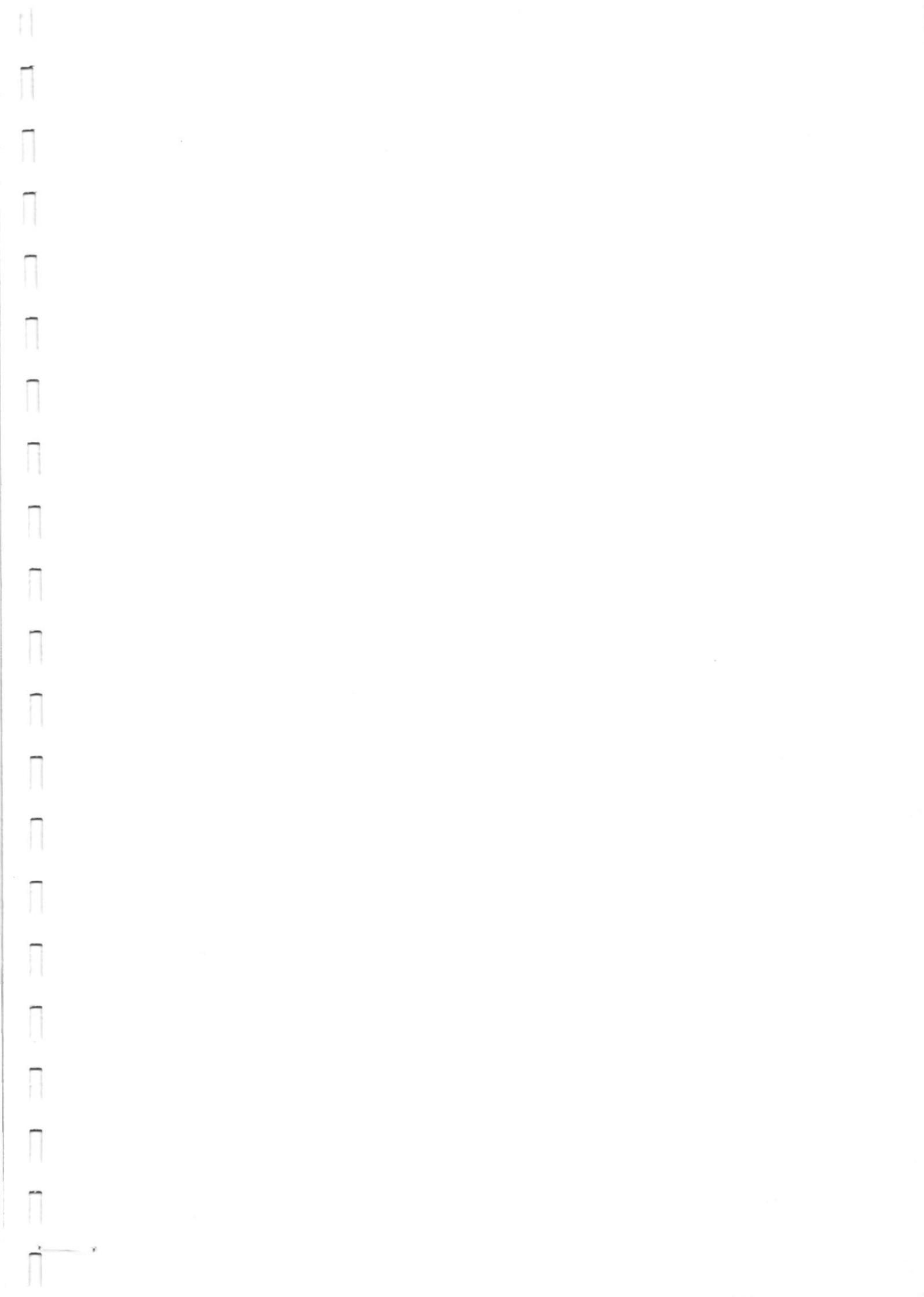
- 2.01. The Association agrees to extend to the Recipient a grant, deemed by the Association to be on concessional terms, as set forth or referred to in this Agreement, in an amount equivalent to fourteen million two hundred thousand Special Drawing Rights (SDR 14,200,000) ("Financing"), to assist in 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 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 Payment Dates are February 15 and August 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 V of the General Conditions and, Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Event of Suspension consists of the following:



- (a) as a result of an act or omission in the management or operations of the Recipient's oil and gas, petroleum, or mining sectors, there has been, in the opinion of the Association, a failure on the part of the Recipient or any of its agencies or other competent authorities located in the Recipient's territory, to: (i) apply sound social and environmental standards and practices; or (ii) uphold appropriate standards of good governance applicable to the sector, including accountability mechanisms and anti-corruption principles and practices prevalent at the local or national levels of said sector; and
- (b) the Recipient or other agency or competent authority, as the case may be, has failed, within a 30-day period after notice thereof has been given to it by the Association, to remedy such failure or take appropriate corrective measures.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Condition of Effectiveness consists of the following, namely, the Recipient has adopted a Project Operational Manual in form and substance satisfactory to the Association.
- 5.02. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.
- 5.03. For purposes of Section 10.05(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 years after the Signature Date.

ARTICLE VI— REPRESENTATIVE; ADDRESSES

- 6.01. The Recipient's Representative is its Minister responsible for Finance.
- 6.02. For purposes of Section 11.01 of the General Conditions: (a) the Recipient's address is:

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

and

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

Facsimile:

232 22 228 472



6.03. 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:

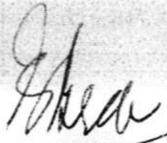


Momodu L. Kargbo
Minister of Finance and Economic Development

Date: 11/2/17

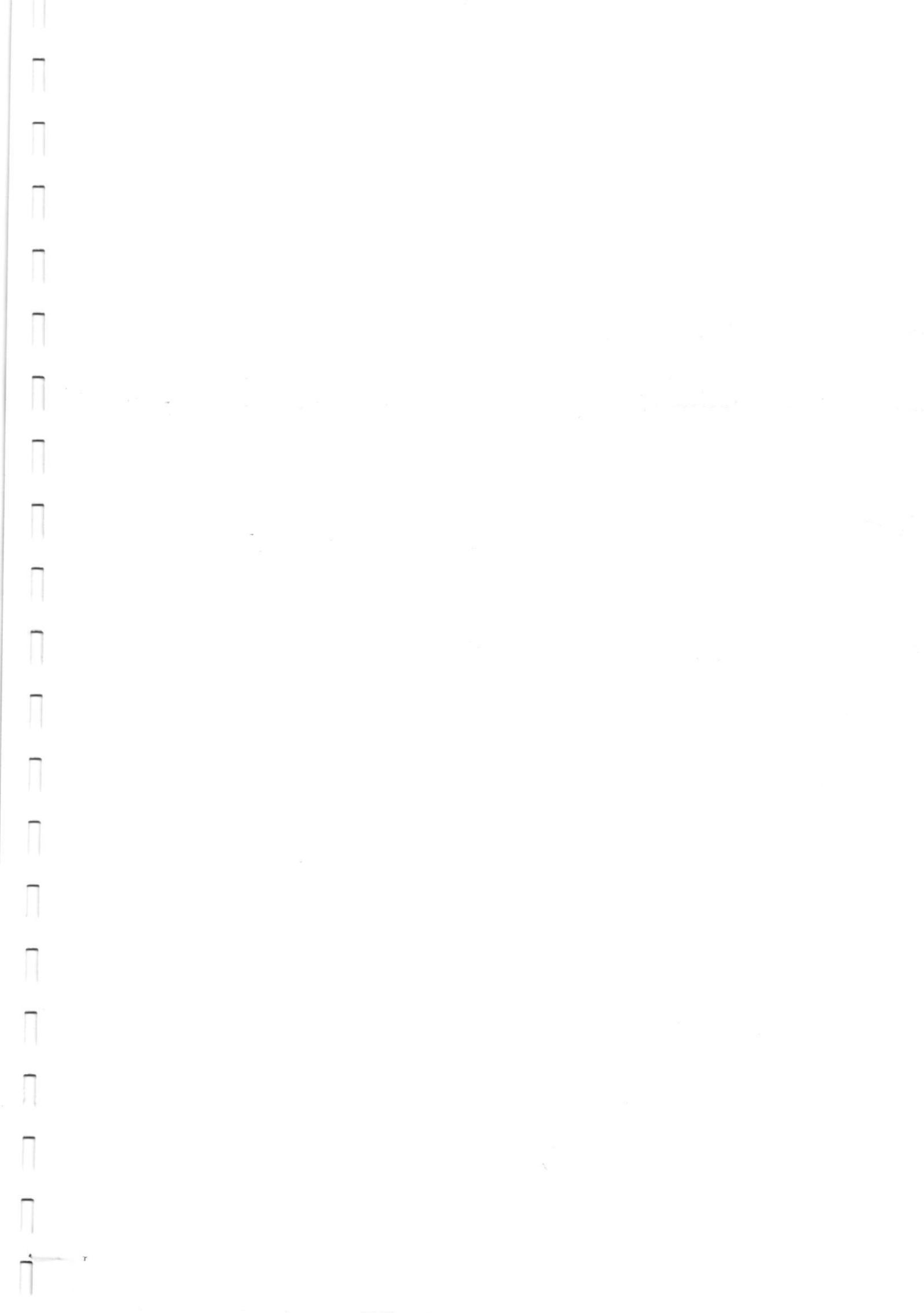
INTERNATIONAL DEVELOPMENT ASSOCIATION

By:



Parminder P. S. Brar
Country Manager for Sierra Leone

Date: 29/11/2017



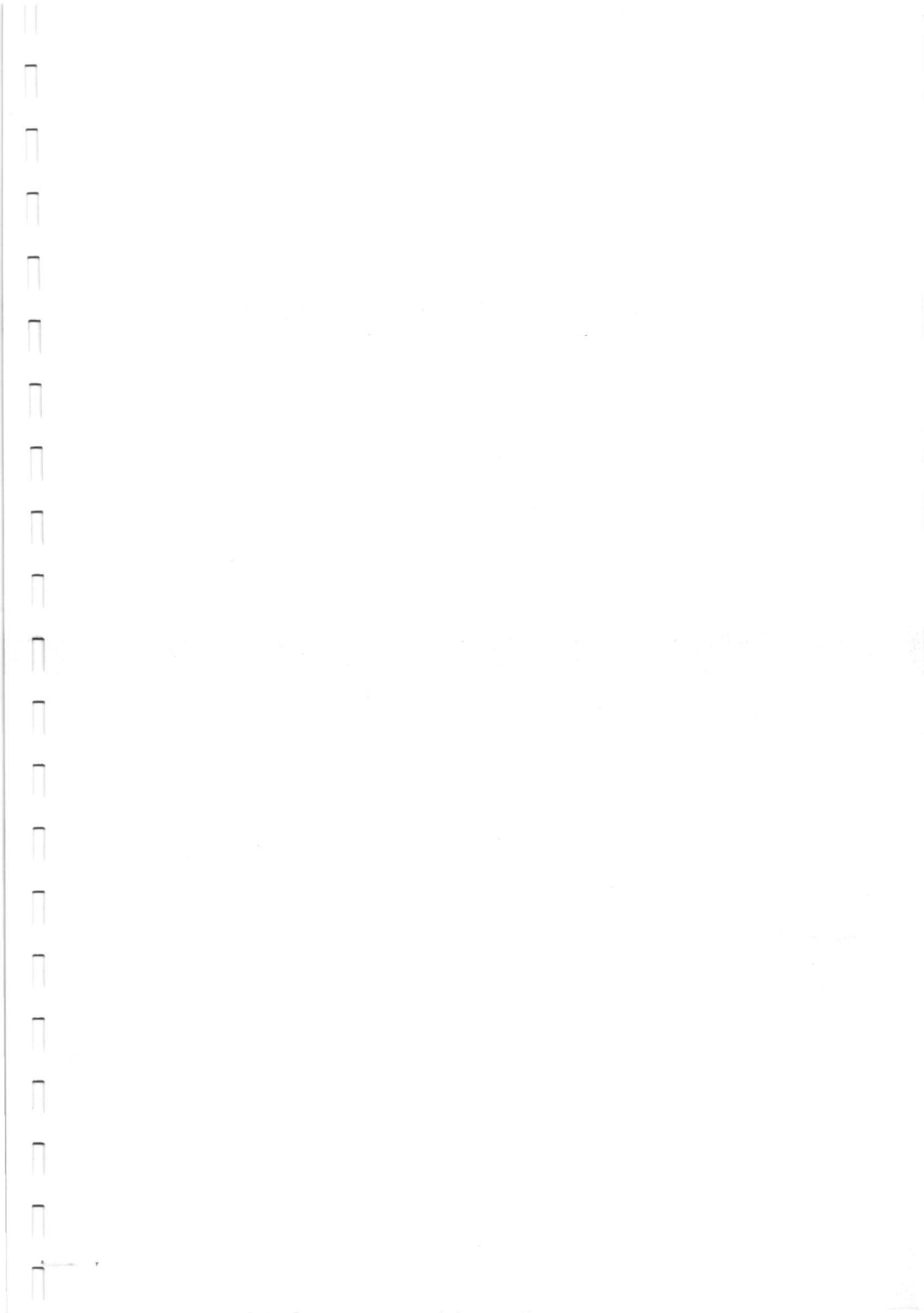
SCHEDULE 1

Project Description

The objective of the Project is to strengthen governance, knowledge and sustainability of the extractive sector in Sierra Leone.

Part A: Improve Mineral Sector Governance

1. Strengthening governance, transparency, accountability and administration of the extractive sector including *inter alia*: (a) building the capacity of Government institutions to more efficiently and effectively implement their mandates; (b) establishing local oversight committees in mining communities to monitor use of local funds from mining to promote local development; (c) clarifying and strengthening the role of the Minerals Advisory Board; (d) supporting transparent revenue management by developing a mineral revenue management program which entails convening meetings of mine operators to review revenue rules, and gather potential issues; and develop policy frameworks for mineral revenue management and appropriate fiscal regimes; and, (e) promoting the implementation of selected activities in the Extractive Industries Transparency Initiative Work Plan with an emphasis on capacity building and training for the EITI National Secretariat and multi-stakeholder working group to meet the EITI Standards, especially in relation to the requirements on beneficial ownership and mainstreaming.
2. Improve the legal regulatory framework governing the extractive industry through provision of technical advisory support for: (a) conducting a comprehensive review of the policies, legal and regulatory provisions in the mining sector and harmonizing them; (b) amending the current Mines and Minerals Act and regulations to reflect the new policy guidance; (c) amending specific legislation to ensure that minerals legislation pertaining to granting mineral rights is applied consistently and guarantees security of tenure; (d) reviewing and amending health and safety laws and regulations; and (e) developing a document on mining and the environment to guide investors in the sector.
3. Supporting the implementation of the recently updated Minerals Policy and Artisanal Mining Policy by: (a) conducting public consultation on said policies, publishing and disseminating them; (b) establishing a policy directorate within the Ministry of Mines and Mineral Resources to ensure stronger policy formulation and implementation; and (c) supporting the updating and operationalizing of the Artisanal Mining Policy as a sub-policy document of the Minerals Policy; and (d) carrying out activities to promote mineral resources conservation, environmental monitoring, and public participation in the sector.



Part B: **Enhance Geological Knowledge**

Provision of technical advisory services to:

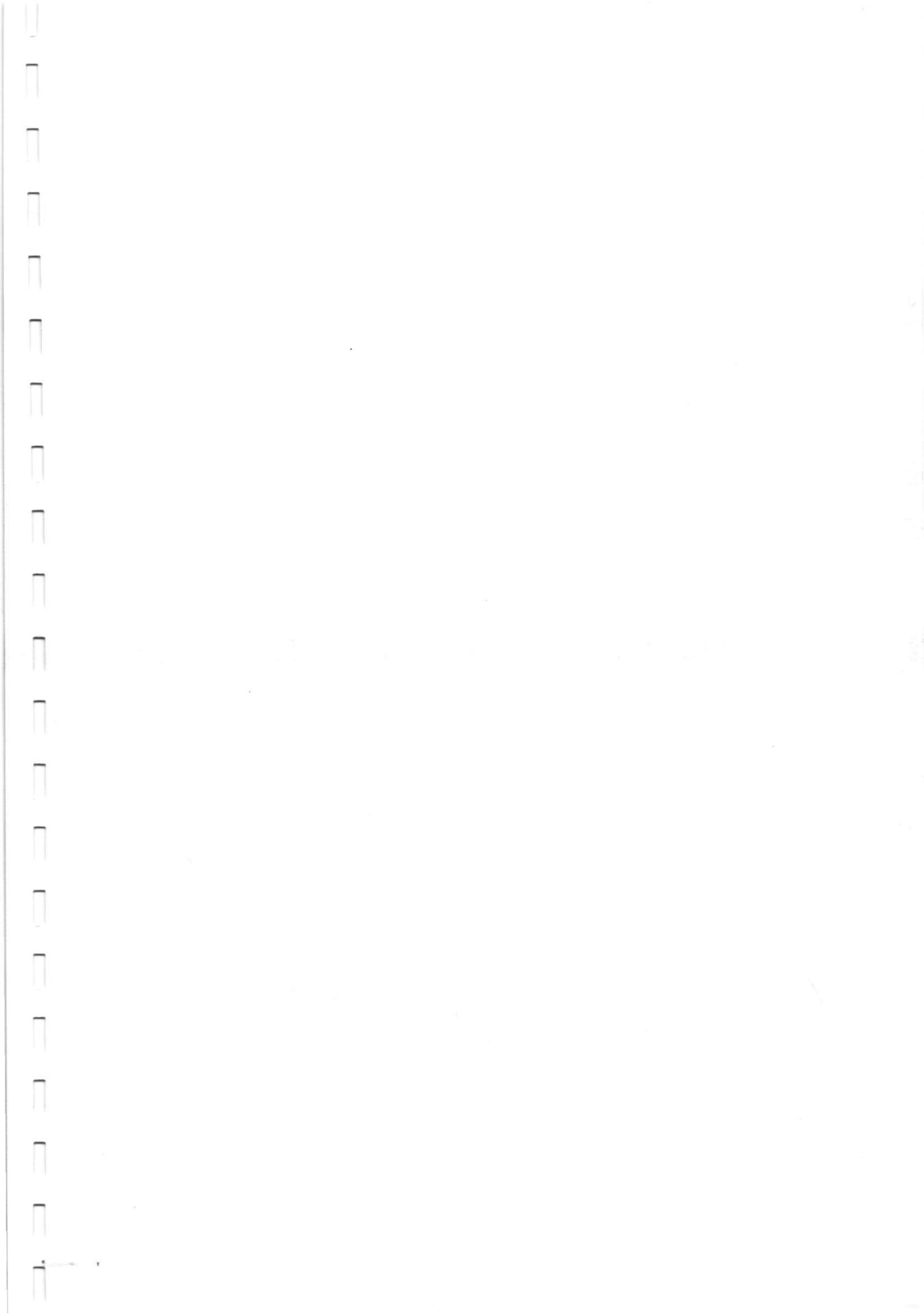
- (a) undertake regional airborne geophysical coverage of the country;
- (b) processing, interpreting and managing generated data; and
- (c) supervising airborne geophysics campaign for quality control of flights and data.

Part C: **Artisanal Mining**

1. Strengthening governance in artisanal and small scale mining by: (a) strengthening the National Minerals Agency's capacity to supervise and monitor the artisanal mining sector; (b) improving the definition of what constitutes "artisanal mining" and including the proposed definition in the proposed legal reforms; (c) developing an integrated artisanal mining licensing system to eliminate discretionary payments; (d) improving community engagement in the sector including its grievance redress mechanisms; (e) improving and enhancing transparency in the sector by integrating the Artisanal Mining Policy in the general cadastral regime; (f) Strengthening communications amongst Government, artisanal operators and communities to identify beneficial business structures that may include umbrella structures, mineral buying and others; (g) supporting revenue collection and management at the local level; and (h) supporting the implementation of the proposed Artisanal Mining Policy.
2. Strengthening MMMR's capacity to manage the health, safety and environmental management of the artisanal mining sector.
3. Developing and piloting the marketing of an initiative involving gold mining an environmentally friendly manner ("Green Gold Project") through conducting of assessment of the Green Gold Project's viability, training miners on the appropriate mining strategies and branding and marketing of the proposed Green Gold Project.

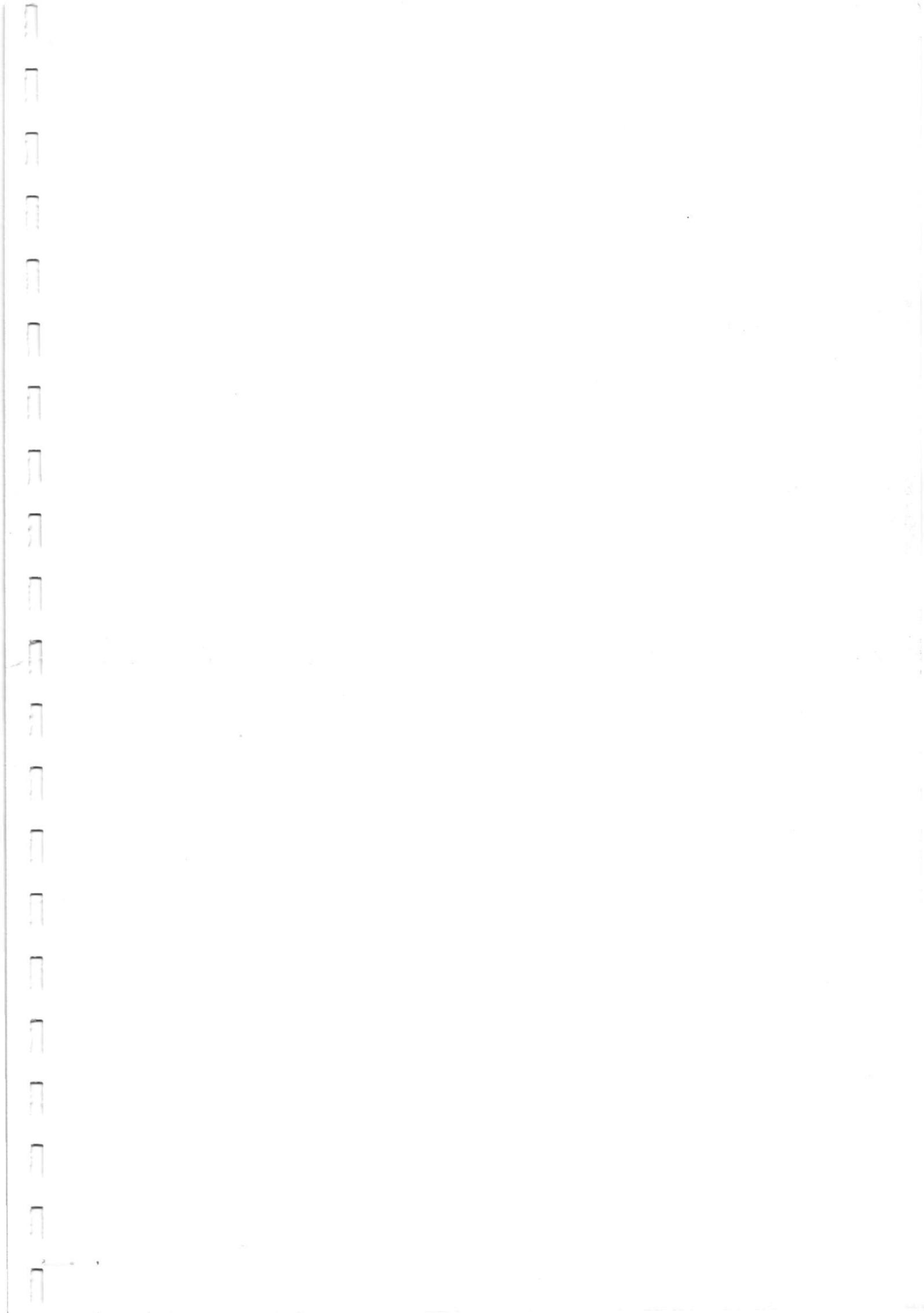
Part D: **Project Management**

Strengthening the PIU's capacity to carry out Project implementation, including, procurement, financial management, safeguards management, and monitoring and evaluation all through the provision of technical advisory services, incremental Operating Costs, training, and acquisition of goods.



Provision of support to respond to an Eligible Emergency including: (a) designing and carrying out the relevant sector investments; and (b) providing supervision for carrying out said investments.

Part E: Contingency for Disaster Risk Response



SCHEDULE 2

Project Execution

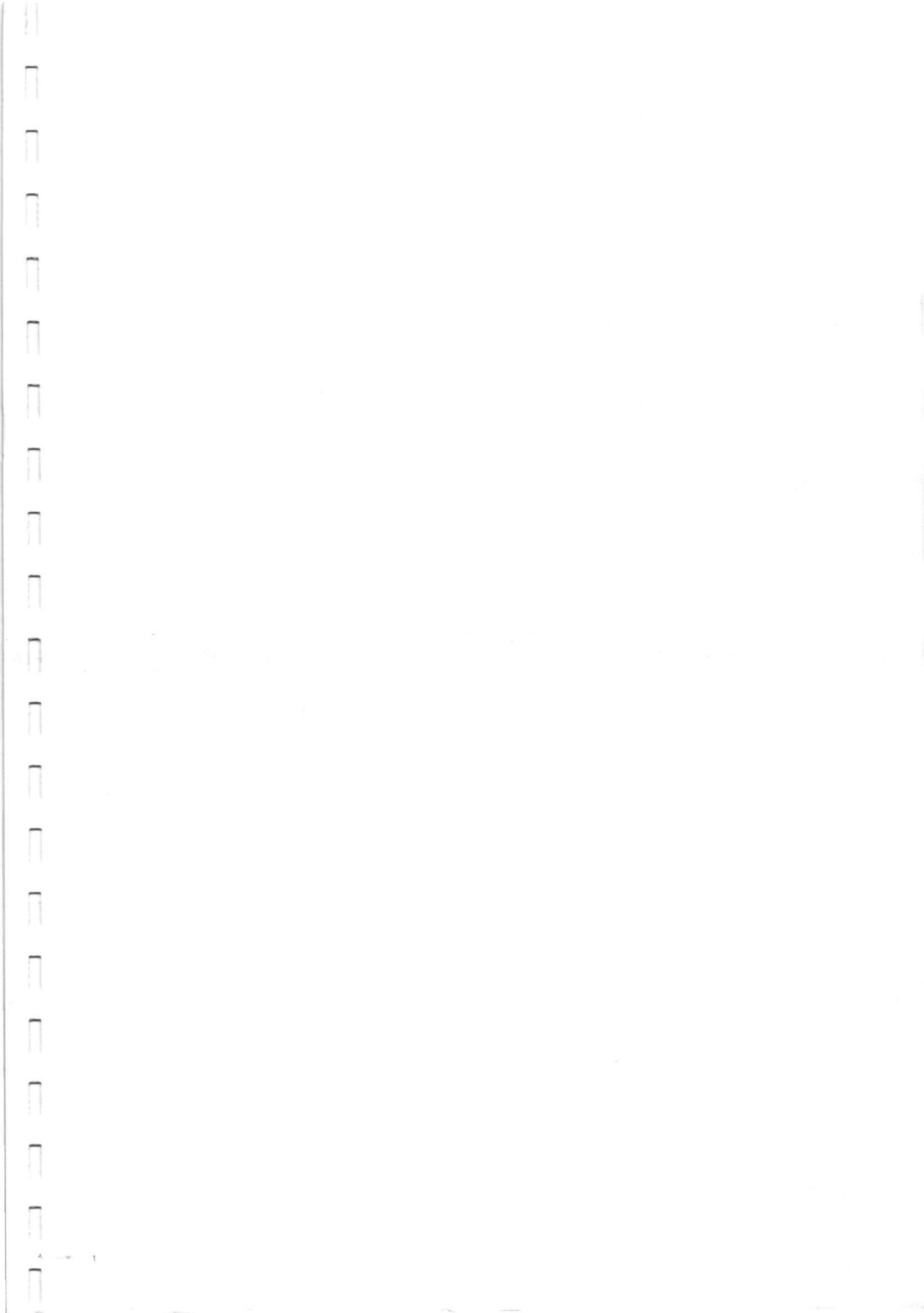
Section I. Implementation Arrangements

A. Ministry of Mines and Mineral Resources

1. The Recipient shall carry out the Project through MMR, which shall maintain, at all times during the implementation of the Project, a Project Implementation Unit (PIU) with composition, mandate and resources satisfactory to the Association, for the purpose of ensuring the prompt and efficient overall coordination, implementation and communication of Project activities.
2. Without limitation upon the provision of paragraph 1 above, the PIU shall be responsible for: (a) technical and fiduciary (financial management and procurement) elements of Project implementation; (b) ensuring compliance with environmental and social safeguards; (c) preparing and circulating periodic progress reports; and (d) monitoring and evaluation of Project activities.

B. Project Operational Manual

1. The Recipient shall carry out the Project in accordance with a project operational manual in form and substance satisfactory to the Association ("Project Operational 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) disbursement and financial management; (c) institutional administration, coordination and day-to-day execution of Project activities; (d) monitoring, evaluation, reporting, information, education and communication; (e) procurement; and (f) such other administrative, financial, technical and organizational arrangements and procedures as shall be required for the Project; provided, however, that in case of any conflict between the provisions of the POM and those of this Agreement, this Agreement shall prevail.
2. Except as the Association shall otherwise agree, the Recipient shall not amend, abrogate or waive any provision of the Project Operational Manual if, in the opinion of the Association, such amendment or waiver may materially and adversely affect the implementation of the Project.



C. Annual Work Plan and Budget

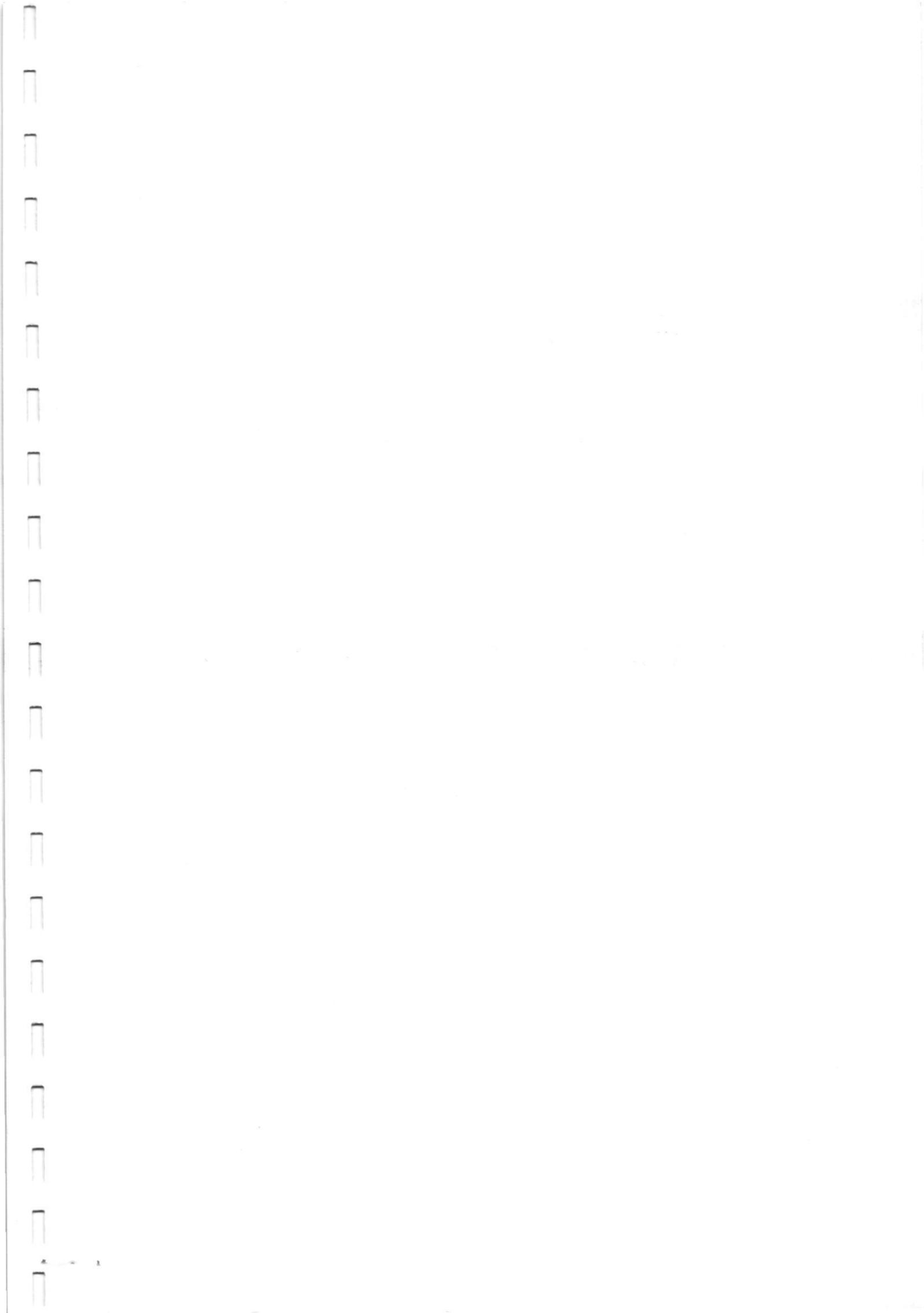
1. The Recipient shall prepare and furnish to the Association for review and approval, not later than December 1 in each Fiscal Year during the implementation of the Project, a proposed annual work plan and budget covering all activities proposed to be carried out under the Project in the forthcoming Fiscal Year.
2. Each such proposed annual work plan and budget shall specify among the activities, any training activities that may be required under the Project, including: (a) the type of training; (b) the purpose of the training; (c) the personnel to be trained; (d) the institution or individual who will conduct the training; (e) the location and duration of the training; (f) the cost of the training; and (g) the expected outcome and impact of the training.
3. The Recipient shall afford the Association a reasonable opportunity to exchange views with the Recipient on each such proposed annual work plan and budget, and thereafter to implement the Project or cause it to be implemented with due diligence in accordance with such annual work plan and budget as shall have been approved by the Association ("Annual Work Plan and Budget").

D. Environmental and Social Safeguards

1. The Recipient shall ensure that the Project is carried out in accordance with the SESA and that the measures required in the SESA are carried out in a timely manner.
2. The Recipient shall ensure that the Project Reports referred to in Section II of this Schedule include adequate information on monitoring the measures set out in the SESA and any plan prepared pursuant to the SESA.
3. The Recipient shall ensure that: (a) all consultancies related to technical assistance, design and capacity building under the Project, the application of whose results could have environmental or social implications, shall only be undertaken pursuant to terms of reference reviewed and found satisfactory by the Association; and (b) such terms of reference shall duly incorporate the requirements of the Association's applicable safeguards policies and procedures then in force and shall require the technical assistance, design and capacity building activities to take into account the requirements of said policies.

**E. Implementation Arrangements under Part E of the Project
(Contingency for Disaster Risk Response)**

1. In order to ensure the proper implementation of Part E of the Project after the occurrence of an Eligible Emergency, and prior to the carrying out of any activities under said Part of the Project, the Recipient shall take the following measures:



- (a) determine that an Eligible Emergency has occurred and the Association has agreed with said determination;
- (b) furnish to the Association a list of proposed investments and a request to finance the Eligible Expenditures under Category (3) in order to respond to said Eligible Emergency, and the Association has agreed to such request;
- (c) ensure that all environmental and social safeguards instruments required by the policies of the Association for said investments have been prepared and disclosed, and that any actions which are required to be taken under said instruments have been implemented, in accordance with the provisions of Section I.D of this Schedule;
- (d) ensure that the entities in charge of coordinating and implementing the investments have adequate staff and resources for the purposes of said activities;
- (e) cause the Project Operational Manual to be updated as needed, defining the scope of activities, institutional and implementation arrangements, procurement and disbursement arrangements, and the environment and social safeguards management arrangements, and any other arrangements required to carry out activities under Part E of the Project, subject to the prior review and approval of the Association in accordance with Section I.B of this Schedule 2.

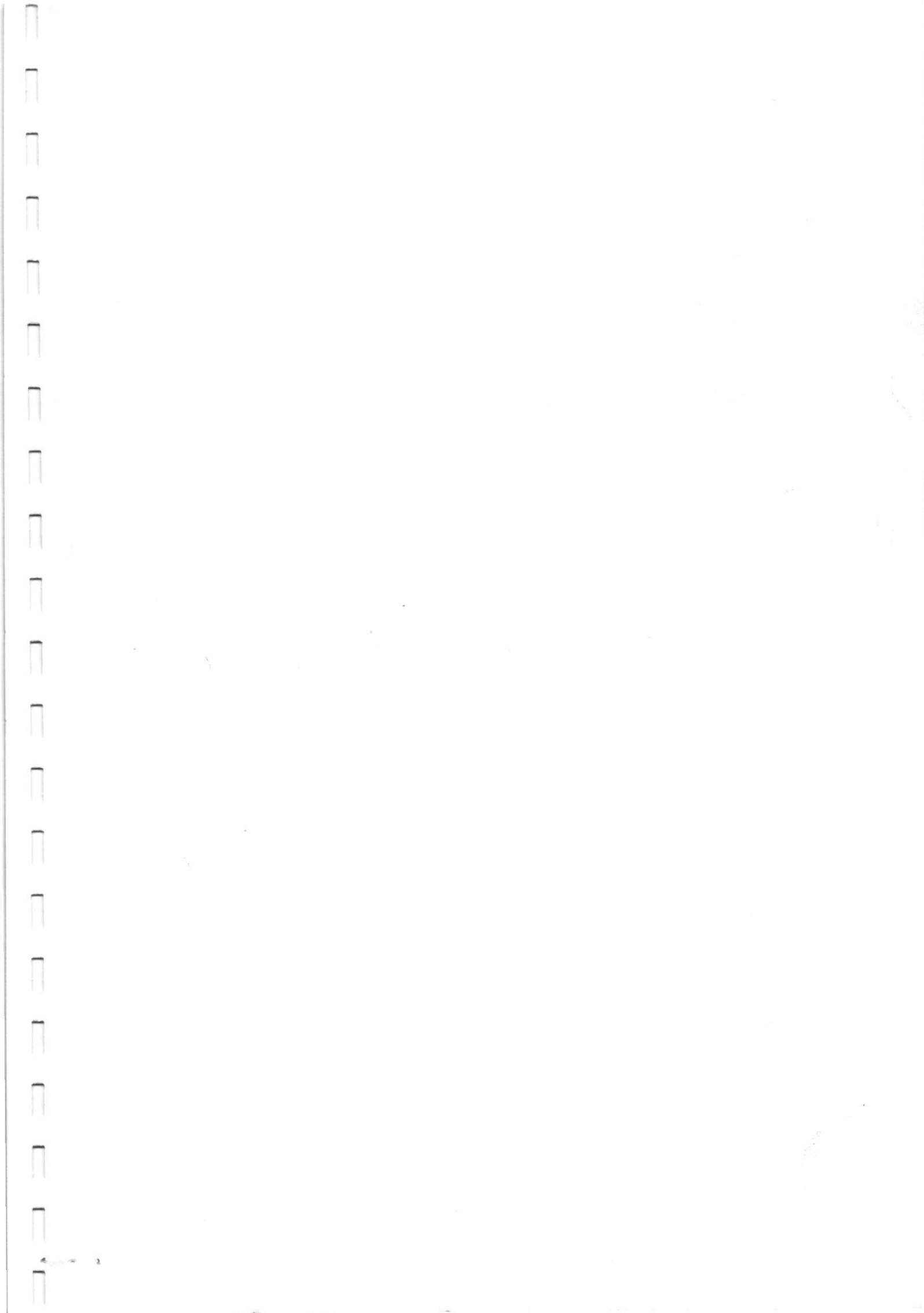
Section II. Project Monitoring, Reporting and Evaluation

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

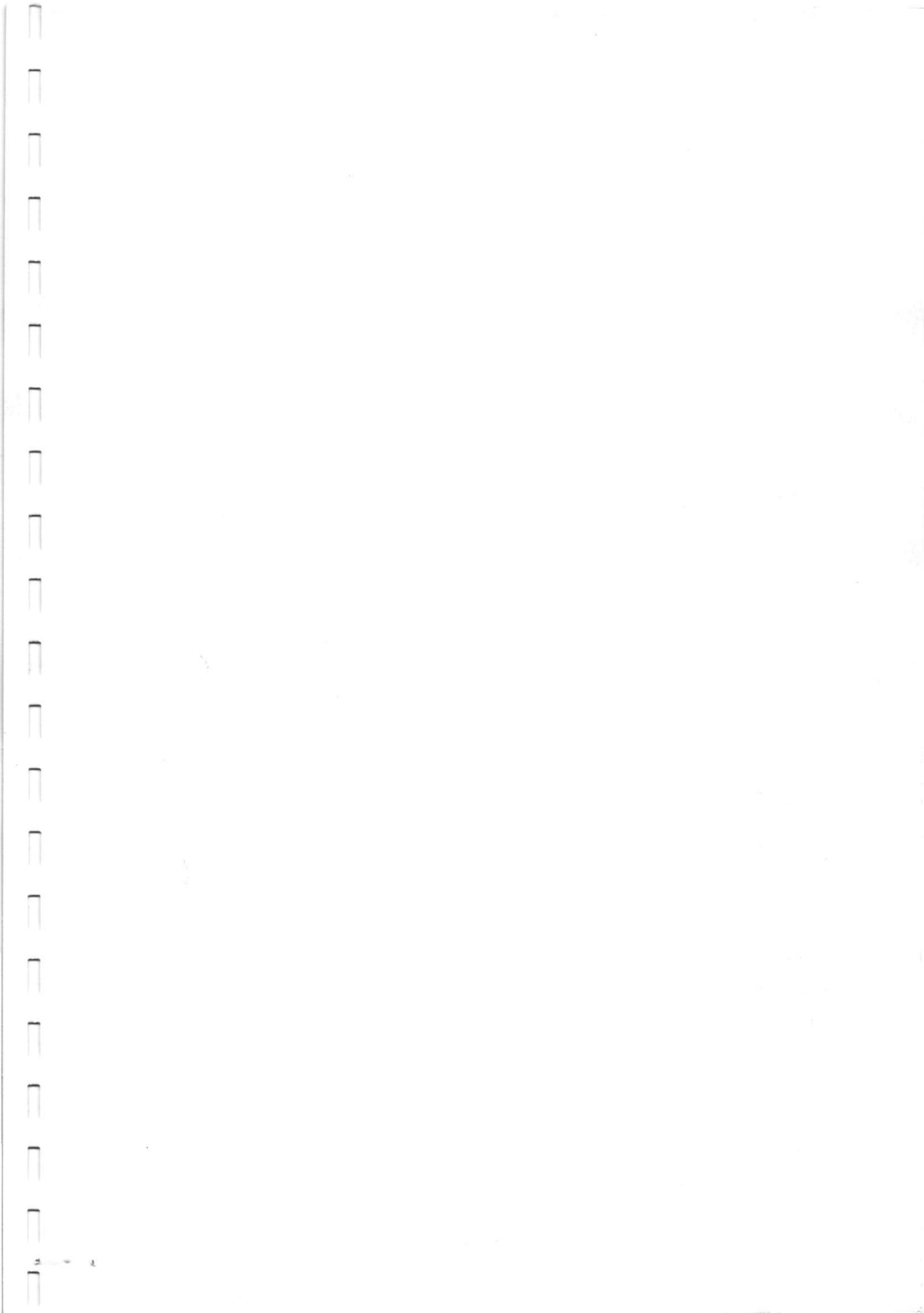
Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Recipient may withdraw the proceeds of the Financing to: (a) finance Eligible Expenditures; and (b) repay the Preparation Advance; in the amount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



Category	Amount of the Grant Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, and consulting services Training and Operating Costs under Parts A, B.2 and B.3, C and D of the Project	4,580,000	100%
(2) Goods, works, non-consulting services, and consulting services Training and Operating Costs under Part B.1 of the Project	8,160,000	100%
(3) Emergency Expenditures under Part E of the Project	0	100%
(4) Refund of Preparation Advance	1,460,000	Amount payable pursuant to Section 2.07(a) of the General Conditions
TOTAL AMOUNT	14,200,000	

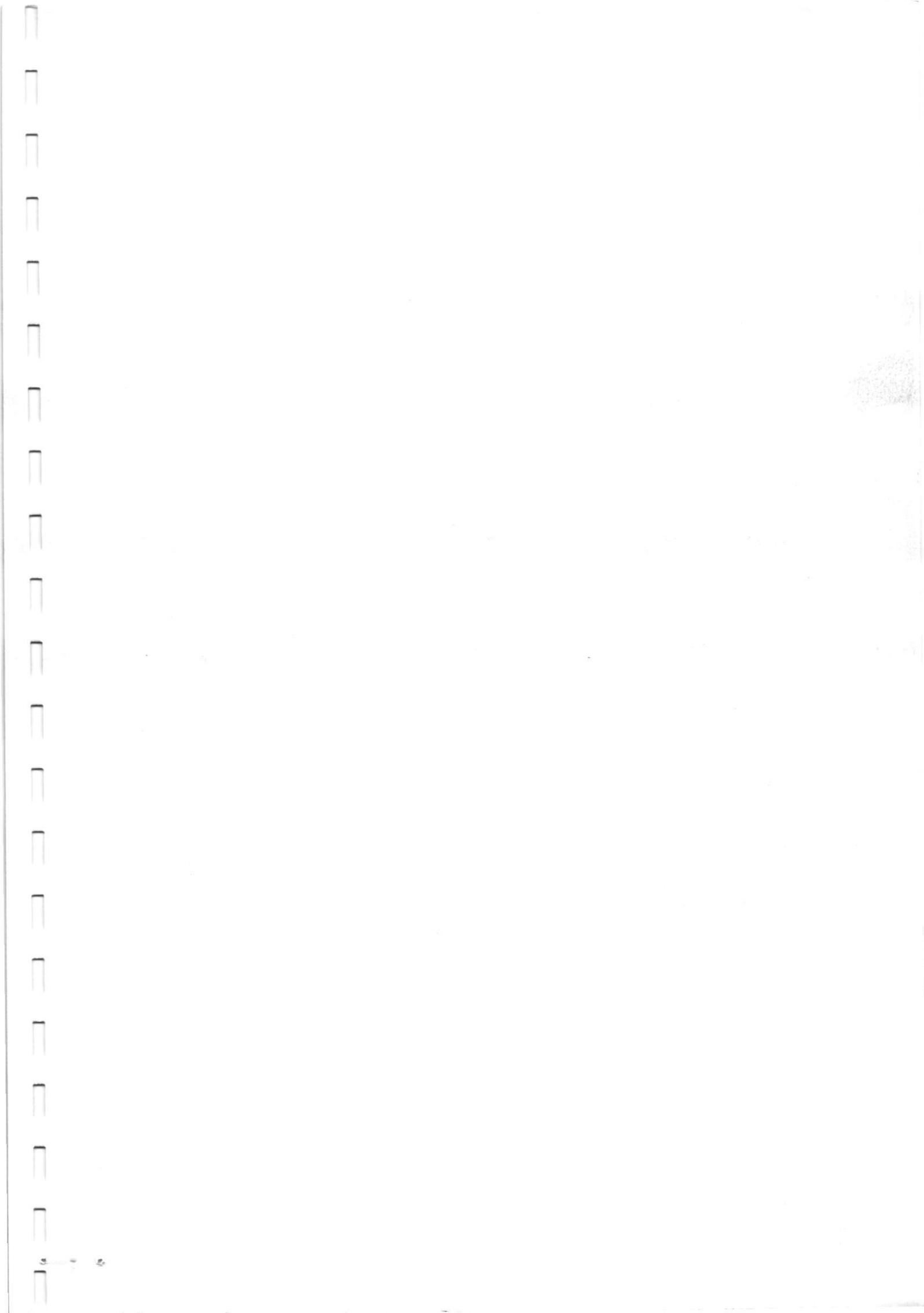
B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made for:
 - (a) payments made prior to the Signature Date;
 - (b) under category 2, until the Recipient has furnished or caused to be furnished evidence satisfactory to the Association that a Data Management Policy satisfactory to the Association has been duly adopted by a decision of Cabinet; and
 - (c) under category 3, until the Recipient has furnished or caused to be furnished evidence satisfactory to the Association that measures referred to in Section I.E of Schedule 2 to this Agreement have been met in a manner satisfactory to the Association.
2. The Closing Date is December 31, 2022.



Section IV. Other Undertakings

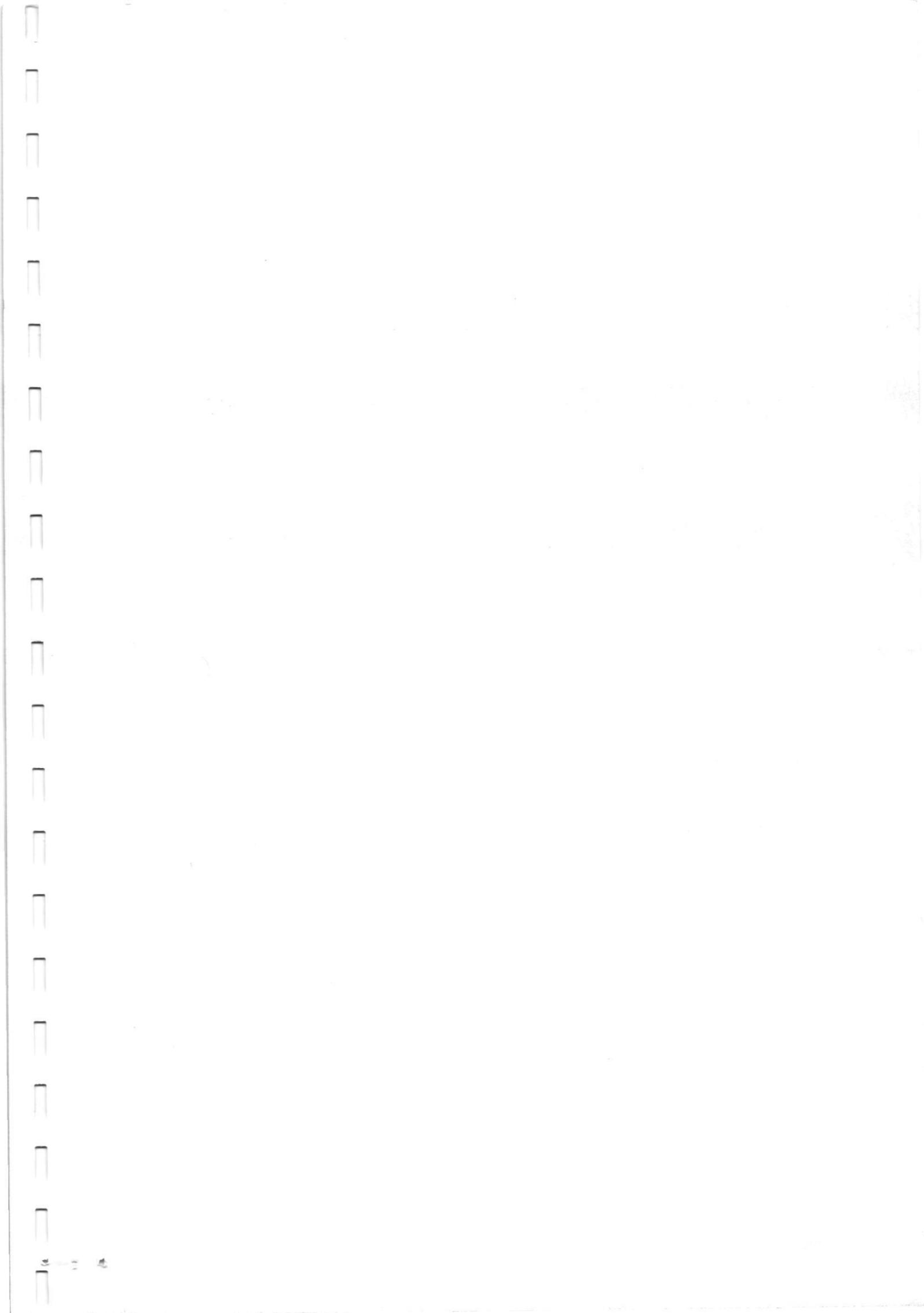
1. Not later than four (4) months from the Effective Date, the Recipient shall ensure that the PIU finance team obtains a refresher course on the financial management and disbursement procedures satisfactory to the World Bank.
2. Not later than one (1) month after the Effective Date, the Recipient shall input all the relevant Project codes into the accounting software for the Project.
3. Not later than one (1) month after the Effective Date, the Recipient shall update the SESA to provide for the expanded activities under the Project, in a manner satisfactory to the Association.



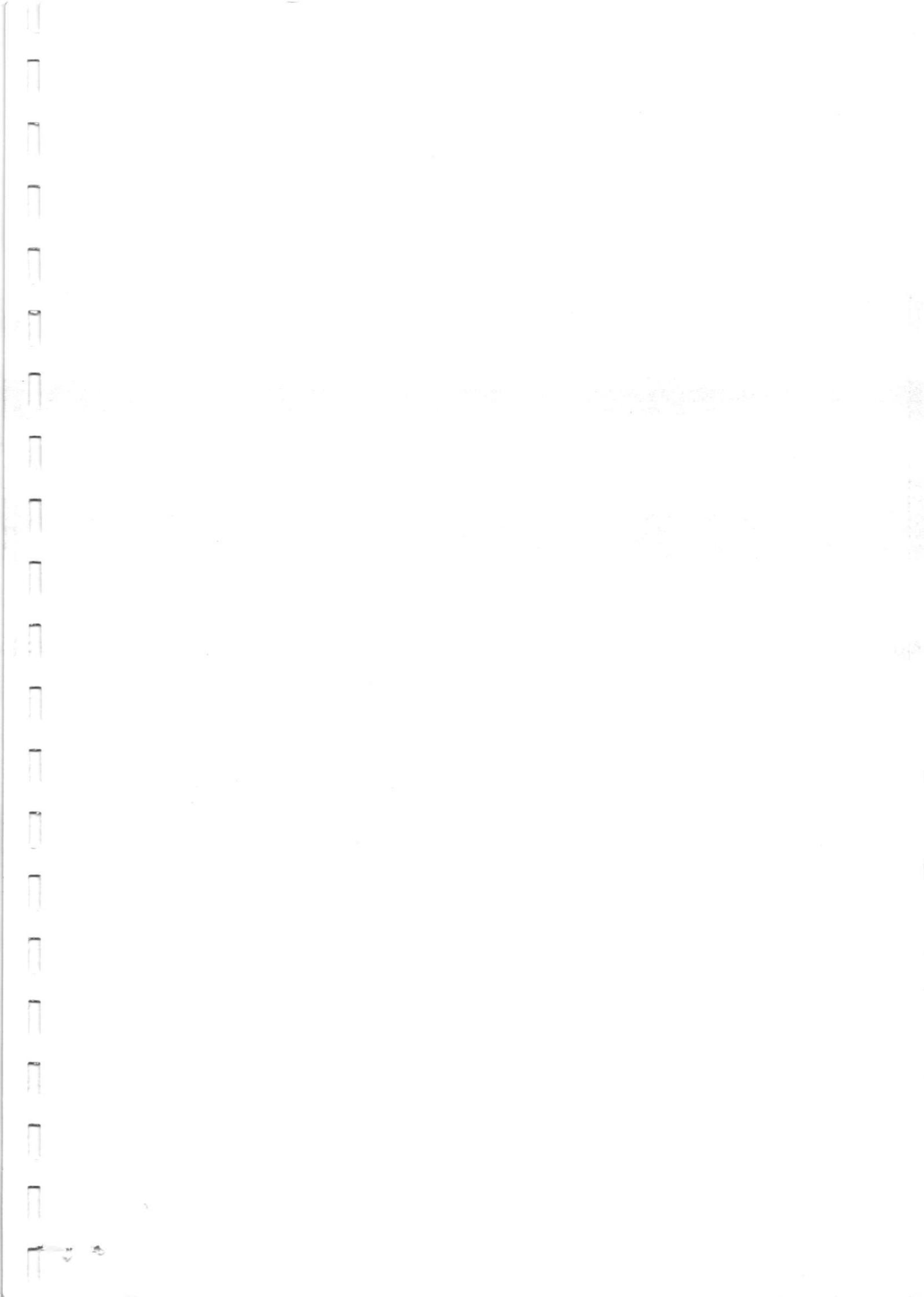
APPENDIX

Definitions

1. "Annual Work Plan and Budget" means the annual work plan and budget referred to in Section I.C of Schedule 2 to this Agreement.
2. "Artisanal Mining Policy" means the Sierra Leone Artisanal Mining Policy to be issued by the MMR setting out guidance to government, civil society and investors to be considered in the operation and management of artisanal mining and in the preparation of development plans.
3. "Cabinet" means the Recipient's Cabinet established pursuant to Article 59 of the Recipient's Constitution.
4. "Category" means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
5. "Data Management Policy" means a statement of Recipient's national policy on geo-science data management issues that provide guidance to government, civil society and investors with regard to storage, management, use of and access to geo-science data as well as security and data quality.
6. "EITI National Secretariat" means the secretariat responsible for the oversight and implementation of EITI activities in Sierra Leone.
7. "Eligible Emergency" means a natural or man-made crisis or disaster that has caused, or is likely to imminently cause, a major adverse impact in the Recipient's territory.
8. "Emergency Expenditures" means any of the eligible expenditures proposed by the Recipient for financing under Category (3) in accordance with the provisions of Section I.E of Schedule 2 to this Agreement and accepted by the Association.
9. "Extractive Industries Transparency Initiative (EITI) Work Plan" means the work program of activities and related schedule approved by the EITI multi-stakeholder group which defines the EITI activities to be implemented by the Recipient.
10. "Extractive Industries Transparency Initiative" or "EITI" means initiative of said name which promotes the global standard for the good governance of oil, gas and mineral resources known as the EITI Principles, comprised of representatives from government, private sector and civil society and in which the Recipient is a participant.
11. "Fiscal Year" means the fiscal year of the Recipient commencing on January 1 and ending on December 31 of the same year.



12. "General Conditions" means the "International Development Association General Conditions for IDA Financing, Investment Project Financing", dated July 14, 2017.
13. "Minerals Advisory Board" or "MAB" means legally established body of said name as defined in the Mines and Minerals Act (2009), or any successor thereto.
14. "Minerals Policy" means the Sierra Leone Minerals Policy dated September 2017 to be issued by the MMMR providing guidance to government, civil society and investors with regard to the operation and management of minerals and is to be considered in the preparation of development plans.
15. "Mines and Minerals Act" means the Mines and Minerals Act, Number 12 of 2009 of the laws of the Recipient, regulating mineral sector development in Sierra Leone.
16. "MMMR" means the Recipient's Ministry of Mines and Mineral Resources or any successor thereto.
17. "National Minerals Agency" or "NMA" means the regulator of mining operations in Sierra Leone, or any successor thereto.
18. "Operating Costs" means the incremental expenses arising under the Project, and based on the Annual Work Plan and Budget approved by the Association pursuant to Section I.C of Schedule 2 to this Agreement, on account of office equipment and supplies, vehicle operation and maintenance, maintenance of equipment, communication and insurance costs, office administration costs, utilities, rental, consumables, accommodation, banking charges, advertising expenses, local and international travel and per diem, but excluding the salaries of the Recipient's civil service.
19. "Procurement Regulations" means, for purposes of paragraph 87 of the Appendix to the General Conditions, the "World Bank Procurement Regulations for Borrowers under Investment Project Financing", dated July 1, 2016.
20. "Project Operational Manual" means the manual for the Project to be prepared and adopted in form and substance satisfactory to the Association, and referred to in Section 5.01 of this Agreement and Section I.B of Schedule 2 to this Agreement, as the same may be amended from time to time with prior written agreement of the Association.
21. "SESA" means the Strategic Environmental and Social Assessment dated May 22, 2007, and to be updated in accordance with Section IV.3 of Schedule 2 of this Agreement, as the same may be amended from time to time with the prior written agreement of the Association.





22. "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.
23. "Training" means the reasonable cost associated with the participation of personnel involved in Project supported training activities, workshops and study tours, including national and international travel and subsistence costs for training, workshops and study tour participants, costs associated with securing the services of trainers, rental of training and workshop facilities, preparation and reproduction of training and workshop materials, and other costs directly related to training course, workshop or study tour preparation and implementation.

