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LETTER OF AGREEMENT

FRAGILE STATES FACILITY

**(GRANT SUPPORT FOR THE FINANCIAL SECTOR
DEVELOPMENT PLAN PROJECT)**

REPUBLIC OF SIERRA LEONE

**PARLIAMENT LIBRARY
TOWER HILL FREETOWN**

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**AFRICAN DEVELOPMENT BANK
AFRICAN DEVELOPMENT FUND
FRAGILE STATES FACILITY**



**VICE PRESIDENT
OPERATIONS II
SECTOR OPERATIONS**

Date:

**PROJECT ID No: P-SL-HA0-004
GRANT No : 5900155003101**

Honourable Dr. Samura Kamara
Minister of Finance and Economic Development
Ministry of Finance and Economic Development
Treasury Building, George Street
Freetown
SIERRA LEONE
Tel : 232 22 222211
Fax: 232 22 228472

Excellency,

**SIERRA LEONE: FRAGILE STATES FACILITY – GRANT SUPPORT FOR THE
FINANCIAL SECTOR DEVELOPMENT PLAN PROJECT**

LETTER OF AGREEMENT

In response to the request for financial assistance made on behalf of the Republic of Sierra Leone (the "Recipient"), I am pleased to inform you that the African Development Bank and the African Development Fund (altogether, the "Bank"), on behalf of the Fragile States Facility, propose to extend to the Recipient a grant in an amount not exceeding Eight Hundred and Seven Thousand and Eighteen Units of Account (UA 807, 018) (the "Grant") on the terms and conditions set forth or referred to in this letter of agreement (the "Agreement"), which includes Attachments I and II hereto to assist in the financing of the project described in Attachment I (the "Project").

Please confirm the Recipient's agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed original of this Agreement with each page thereof duly initialled, and returning it to the Bank. Upon receipt by the Bank of the countersigned

original, this Agreement shall become effective as of the date of the countersignature by the Bank; provided, however, that the offer of this Agreement shall be deemed withdrawn if the Bank has not received the countersigned original of this Agreement within ninety (90) days after the date of signature of this Agreement by the Bank, unless the Bank shall have established a later date for such purpose.

Yours sincerely,

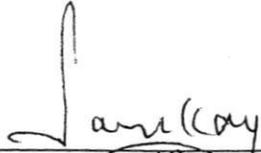
AFRICAN DEVELOPMENT BANK
AFRICAN DEVELOPMENT FUND



Dr. Kamal El Kheshen
Vice President
Sector Operations II



**AGREED ON BEHALF OF:
REPUBLIC OF SIERRA LEONE**



Dr. Samura Mathew Wilson Kamara
Minister of Finance and Economic Development

Date: June 1, 2012

**COUNTERSIGNED BY:
AFRICAN DEVELOPMENT BANK
AFRICAN DEVELOPMENT FUND**



Dr. Kamal El Kheshen
Vice President
Sector Operations II

Date: 1/6/2012

Attachment I

Purposes, Terms and Conditions of the Grant

1. Purposes and Activities

1.1 This Grant is issued from the Targeted Support Window (Pillar III) of the Fragile States Facility to the Recipient for purposes of financing capacity building and technical assistance to enhance the capacity of the Bank of Sierra Leone as the apex financial institution to formulate, coordinate and take a pro-active leadership role in advancing financial sector reforms and implement the Bank of Sierra Leone Institutional Development Plan; (the "Project"). The activities (the "Activities") for which the Grant is given are as follows:

- (a) develop a bank-wide information technology policy and strategy;
- (b) develop record management systems; and
- (c) develop policy and strategy to support the implementation of risk-based internal audit operations, staff training and the recruitment of competent technical assistance in the Research Department, Banking Supervision Department, Internal Audit Department as well as strengthening the Financial Sector Development Plan secretariat in the office of the Governor of the Central Bank of Sierra Leone.

2. Implementation

2.1 The Recipient shall: (a) carry out the Activities with due diligence and efficiency; (b) promptly provide the funds, facilities, services and other resources required for that purpose; (c) furnish all information covering the Activities and the use of the proceeds of the Grant as the Bank shall reasonably request; (d) from time to time exchange views with the Bank's representatives on the progress and results of the Activities; (e) take all necessary measures required to enable the Bank to visit the territory of Sierra Leone for purposes related to the Grant; and (f) cause all goods and services financed out of the proceeds of the Grant to be used exclusively for the purposes of the Project. Without limitation on the foregoing, the Recipient shall, if the Bank shall so request, prepare and furnish to the Bank promptly upon completion of the Activities a report, in form and substance satisfactory to the Bank, on the results and impact of the Activities.

2.2 The Executing Agency for the Project shall be the Recipient's Central Bank of Sierra Leone.

3. Entry into Force

3.1 The entry into force of this Agreement shall be subject to signature of this Agreement by the parties hereto.

4. Disbursement of Grant Proceeds

4.1 The obligation of the Bank to disburse the Grant shall be conditional upon the entry into force of this Letter of Agreement. ✓

4.2 Amounts disbursed on account of this Letter of Agreement shall be applied by the Recipient solely for the purposes for which they were disbursed. ✓

4.3 Conditions Precedent to First Disbursement of the Grant. The obligations of the Fund to make the first disbursement of the Grant shall be conditional upon the entry into force of this Agreement in accordance with paragraph 4.1 above and evidence by the Recipient, to the satisfaction of the Bank, that the following conditions have been fulfilled:

(a) The Recipient has opened a special account and submitted specimens of 3 signatories to the account; ✓

(b) The Recipient has set up a project implementation unit for the purpose of implementing the Project in the office of the Deputy Governor of the Central Bank of Sierra Leone; and ✓

(c) The Recipient has included a representative of the Bank's Sierra Leone Field Office as a member of the committee that will be responsible for approval and disbursement of all Project activities and ensure timely use of funds as well as submission of annual work plans and procurement plans. ✓

5. Procurement

5.1 All procurement of goods and acquisition of consulting services financed by the Bank will be in accordance with the Bank's *Rules and Procedure for Procurement of Goods* or, as appropriate, *Rules of Procedure for the Use of Consultants*, using the relevant ~~Bank Standard Bidding Documents~~. The Financial Sector Development Program Secretariat in the Central Bank of Sierra Leone will be responsible for the procurement of goods, consulting services, and training in collaboration with the designated persons within the Central Bank of Sierra Leone departments that are implementing the activities. ✓

5.2 The Recipient shall not use the Grant funds for the payment of taxes relating to goods and services required for the execution of the Project.

6. Audit

6.1 The Recipient shall ensure that the scope of work of its internal auditors includes a separate audit opinion on the use of the proceeds of the Grant, which opinion shall be provided to the Bank.

7. **Monitoring**

7.1 The Recipient shall monitor the implementation of the Project and shall allow representatives of the Bank to examine such reports and other documents relating to the Project whenever requested.

8. **Closing Date**

8.1 The closing date of the Grant is 31st December 2012 or such later date as shall be agreed upon in writing between the Recipient and the Bank. No withdrawals of the Grant shall be made after the Closing Date, and any amount of the Grant then remaining un-withdrawn shall be cancelled.

9. **Addresses**

9.1 For purposes of any correspondence, notice or demand provided herein, the following addresses shall apply:

**For the Bank:
For the Fund:**

Mail Address:

Headquarters Address:

African Development Bank
African Development Fund
01 B.P. 1387 - Abidjan 01
COTE D'IVOIRE
Tel : (225) 20 20 4444 / 20 20 4861
Fax : (225) 20 20 5302 / 20 20 4919

Temporary Relocation Agency Address:

African Development Bank
African Development Fund
Temporary Relocation Agency
15, avenue du Ghana
Tunis Belvédère 1002
TUNISIA
Tel : (216) 71 10 2004
Fax : (216) 71 33 2210
Attention: Head of Fragile States Unit

For the Recipient:

Mail Address:

Honorable Dr. Samura Kamara
Minister of Finance and Economic Development
Ministry of Finance and Economic Development
Treasury Building
George Street - Freetown
SIERRA LEONE
Tel : (232) 22 222211
Fax : (232) 22 228472

Attachment I

Project Description

The objective of the Project is to enhance the capacity of the Central Bank of Sierra Leone as the apex financial institution to formulate, coordinate and take a pro-active leadership role in advancing financial sector reforms and implement the Central Bank of Sierra Leone's Institutional Development Plan.

To enhance a more diversified and sustainable financial sector development, the capacity of the Central Bank of Sierra Leone's oversight functions and legal and regulatory framework as well as establishment of credit information infrastructure has been included in the government Financial Sector Development Plan (FSDP).

The Project will provide technical assistance and institutional support to four departments as well as the FSDP secretariat to support the Central Bank of Sierra Leone Institutional Development Plan that will be essential to the achievement of the goals of the FSDP.

The Sierra Leonean authorities have made financial sector development a key pillar of their economic development strategy. The financial sector has potential to grow and attract new entries and fund private sector growth especially in the extractive industries and agricultural productivity. This has to be supported by a strengthened operating environment to safeguard financial stability and enable financial institutions to reach beyond their traditional urban based clientele.

The expected results of this project are:-

- i) Assist the Central Bank of Sierra Leone to strengthen the implementation of the FSDP for creating sound diversified responsive and well functioning financial system;
- ii) Strengthen the supervision of the growing financial sector in the country; and
- iii) Help to establish an electronic records management system to carry out its mandatory supervisory and monitoring role over commercial banks and other financial institutions.

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Attachment II

Project Expenditures

The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant ("Category") and the allocations of the amounts of the Grant to each Category:

Summary of Procurement Arrangements

Category of Expenditure	UA			
	NCB	Others*	Short List	Total
1. Goods				
1.1 IT Equipment and software	80,555			80,555
1.2 Office Back-up Disk & Software		32,468		32,468
Sub-Total	80,555	32,468		113,023
2. Consulting Services				
2.1 Technical Assistance			364,935	364,935
Sub-Total			364,935	364,935
3. Training				
3.1 Local		51,122		51,122
3.2 Overseas		236,364		236,364
Sub-Total		287,486		287,486
4. Miscellaneous				
4.1 Printing legal document		10,892		10,892
4.2 Contingencies		682		682
Sub-Total		11,574		11,574
5. Audit			30,000	30,000
TOTAL	80,555	331,528	394,935	807,018

* Others may be Shopping, Single Sourcing,

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