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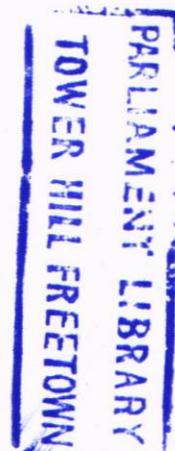


## LETTER OF AGREEMENT

**FRAGILE STATES FACILITY (PILLAR III)**

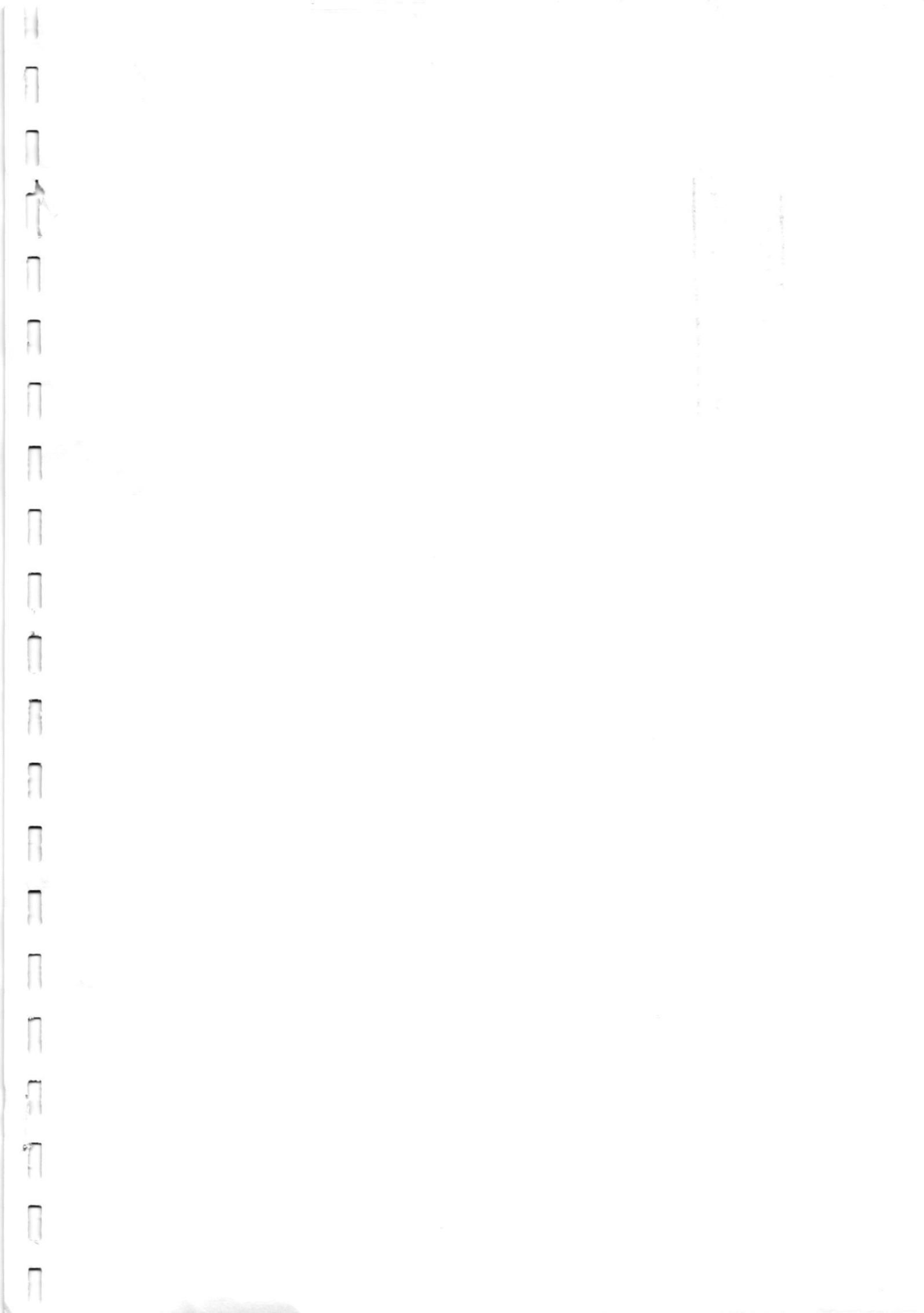
**(GRANT SUPPORT FOR TECHNICAL ASSISTANCE  
AND CAPACITY BUILDING SUPPORT PROJECT FOR  
ENERGY PLANNING AND MILLENIUM CHALLENGE  
CORPORATION FOR COMPACT DEVELOPMENT  
PROCESS (TCB-ERPU & MCC))**

**REPUBLIC OF SIERRA LEONE**



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*[Handwritten initials]*



# AFRICAN DEVELOPMENT BANK AFRICAN DEVELOPMENT FUND FRAGILE STATES FACILITY

AGENCE TEMPORAIRE DE RELOCALISATION  
13 - 15 AVENUE DU GHANA  
ANGLE AV. HEDI NOUIRA ET  
PIERRE DE COUBERTIN B.P 323  
1002 TUNIS BELVEDERE  
TUNISIE  
Téléphone : (216) 71 10 28 04  
Fax : (216) 71 33.22.10  
Web Site : [www.afdb.org](http://www.afdb.org)



VICE PRESIDENT - OPERATIONS II  
FRAGILE STATES UNIT

Date : 25<sup>th</sup> April, 2014

PROJECT ID No. : P-SL-KF0-009  
GRANT No. : 5900155006001

Honourable Dr. Kaifala Marah  
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

Your Excellency,

**SIERRA LEONE: FRAGILE STATES FACILITY (PILLAR III) – GRANT SUPPORT FOR TECHNICAL ASSISTANCE AND CAPACITY BUILDING SUPPORT FOR ENERGY RESOURCE PLANNING AND MILLENIUM CHALLENGE CORPORATION FOR COMPACT DEVELOPMENT PROCESS (TCB-ERPU&MCC)**

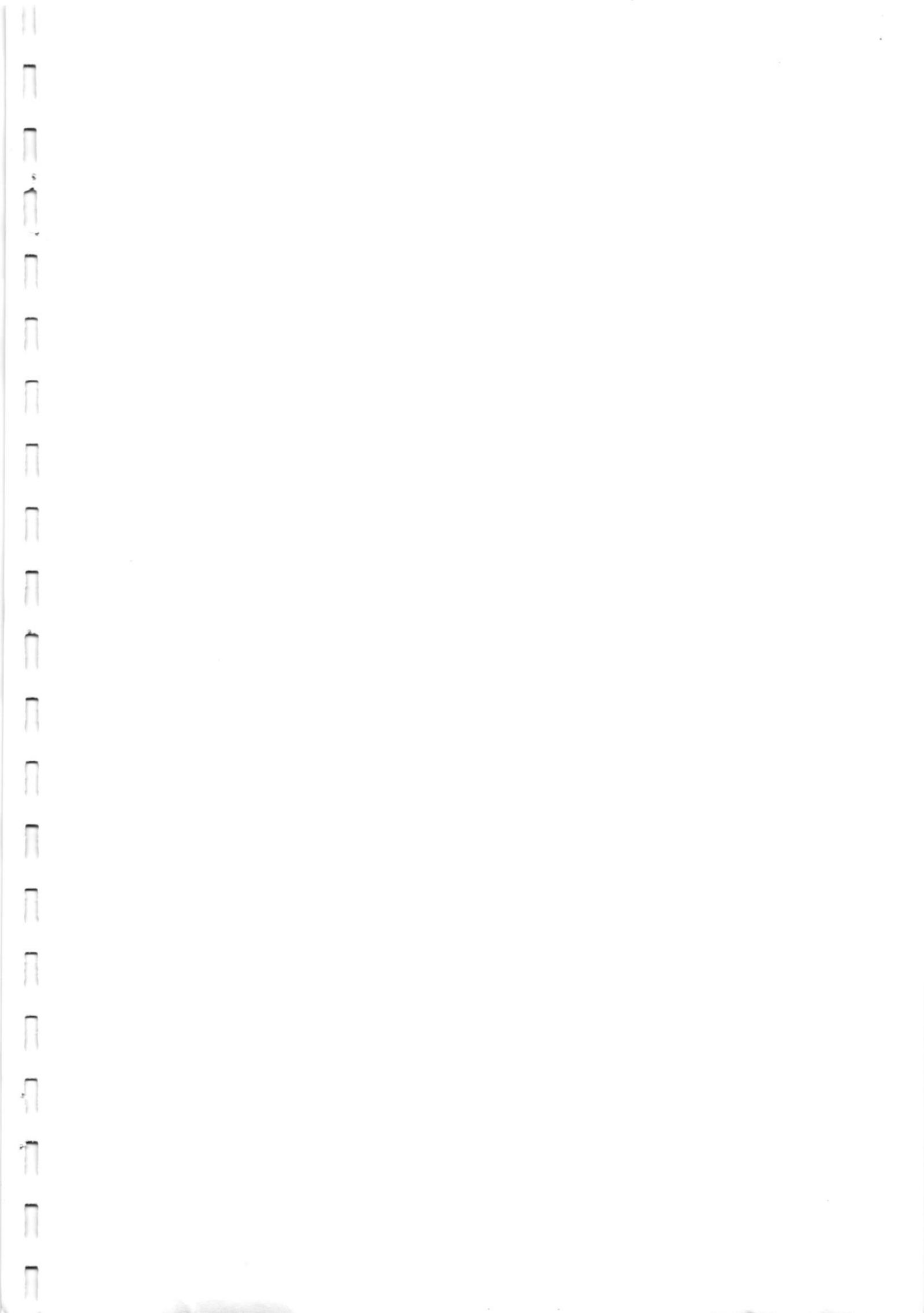
## LETTER OF AGREEMENT

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In response to your request for financial assistance dated 12 April 2013, made on behalf of the Government of Sierra Leone (the "Recipient" or "GoSL"), I am pleased to inform you that the African Development Bank and the African Development Fund (collectively, the "Bank"), on behalf of the Fragile States Facility ( the "FSF") , propose to extend to the Recipient a grant in an amount not exceeding Four Hundred and Forty Nine Thousand, Units of Account (UA 449,000) (the "Grant").

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A handwritten signature or set of initials, possibly 'K', written in black ink.



The Grant shall be made for the purposes and on the terms and conditions set forth in this Letter of Agreement (the "Agreement") which includes Attachments I and II which shall be construed as part of this Agreement hereto. The Grant will assist in the financing of the project described in Attachment I.

The resources of the FSF Grant will cover the entire foreign currency costs and the entire local currency costs of the project as described in Attachment II to this Agreement.

The parties to this Agreement accept all the provisions of the *General Conditions applicable to Protocols of Agreement for Grants of the African Development Fund*, (the "General Conditions") as may be amended from time to time, with the same force and effect as if they were fully set forth herein.

Please confirm your agreement with the foregoing on behalf of the Recipient, by signing, dating and returning to us the enclosed copy of this letter, with each page thereof duly initialled. This Agreement will become effective on the date of counter signature by the Bank.

Yours sincerely,

AFRICAN DEVELOPMENT BANK  
AFRICAN DEVELOPMENT FUND



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Mr. Yero BALDEH  
Resident Representative  
Sierra Leone Country Office





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



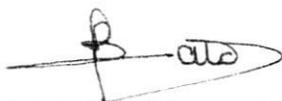
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Dr. Kaifala MARAH  
Minister of Finance and  
Economic Development

Date: \_\_\_\_\_

25/4/14

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



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Mr. Yero BALDEH  
Resident Representative  
Sierra Leone Country Office

Date: \_\_\_\_\_

25/04/14

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**ATTACHMENT I**  
**PURPOSES, TERMS AND CONDITIONS OF THE GRANT**

**1. Purposes and Activities**

The Grant is issued to the Recipient to finance the entire foreign currency costs and the entire local currency costs of the Project as described below and as set out in Attachments I and II.

This Grant from the Fragile States Facility (Pillar III) resources aims at strengthening the institutional capacities of the Ministry of Energy (MoE) and providing supplementary support for developing compact development proposals in line with Millennium Challenge Corporation (MCC) Compact Grant eligibility qualification that GoSL attained recently.

The specific objectives are to strengthen the institutional and staff capacity of the MoE, and the establishment of the Energy Resource Planning Unit (ERPU). The project further seeks to provide technical assistance to assist the MCC Secretariat in preparing bankable project proposals for infrastructure development, policy and institutional reforms to aid GoSL's sources of growth, for possible funding by the MCC.

The project components for which the Grant is given are as follows:

Component 1: Establishment of an ERPU at the MoE: The main objective of this component is to provide technical assistance for the establishment of an ERPU within the MoE. The main activities to be undertaken under the component are (i) recruitment of technical assistant(s) or consultant(s) to assist with the establishment of the Unit; (ii) preparation of an organogram and job descriptions for the Unit; (iii) establishment of procedures and systems to guide national power grid planning and interconnections to regional power systems and markets; (iv) facilitating the recruitment of staff at the Unit; (v) collaboration and coordination with West African Power Pool (WAPP) countries, the regional regulatory authority, and WAPP coordinating centres; and (vi) training ERPU staff in power resources planning systems and interconnections as well as in monitoring and evaluation.

Component 2: Support for the MCC Compact Development and Submission Processes: The aim of this component is to support the Recipient in preparing bankable project proposals in financing energy, water and sanitation, and policy and institutional reforms for rapid economic growth and poverty reduction for possible funding by the MCC. The main activities under the component would be (i) the recruitment of an international consultant and three (3) local sector specialists to assist with the preparation of MCC Project Concept Notes and Project Concept Papers based on the findings of the constraints analysis; (ii) training of MCC Compact Development Secretariat staff in Economic Rates of Return techniques for use in project





preparation;(iii)multiple stakeholder consultations to validate the project proposals; (iv) facilitating the Recipient's submission of the MCC Compact to the MCC ; and (v) a roundtable discussion with the MCC Board at its headquarters in Washington DC to present and validate the compact proposals prepared.

2. **Implementation**

2.1. The Recipient shall:

- (a) Implement the Project with due diligence and efficiency;
- (b) Promptly provide the staff, facilities, services and other resources required for the implementation of the Project;
- (c) Furnish to the Bank all information covering such 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 such activities through field supervision missions, continued field office dialogue and submission of quarterly technical and financial reports;
- (e) Take all necessary measures required to enable the Bank to visit the premises of the Recipient 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 so requests, prepare and furnish to the Bank upon completion of the Project a Project Completion Report, in form and substance satisfactory to the Bank, on the results and impact of the activities on or before 30 June 2016 or upon disbursement of ninety-eight per cent (98%) of the Grant.

- 2.2 The Executing Agency for the Project shall be the MoE which shall provide guidance for the overall implementation of the project. The Implementing Agencies will be the Department of Energy within the MoE and the MCC Compact Development Secretariat in the Office of the Chief of Staff.
- 2.3 Two Project Implementation Units (PIU) will be established, one in the Department of Energy within the MoE and another in the MCC Compact Development Secretariat in the Office of the Chief of Staff to undertake the implementation of project activities. It shall also be required to supervise, monitor and evaluate all project activities including regular updates on performance indicators and preparation of weekly reports. The Units shall further prepare the annual work plan, annual budgets, bidding documents, disbursement projections and requests, financial statements, as well as quarterly, annual progress and



financial reports. The Management team in the Ministry of Energy and the MCC National Advisory Council for MCC Compact Development Secretariat in the Office of the Chief of Staff will act as a Project Steering Committee (PSC). The PSC will meet at least once every six months (twice a year) and will provide policy guidance to the project, approve the annual work plan and budget and ensure that the project objectives are achieved.

3. **Entry into Force**

3.1 The entry into force of this Agreement shall be subject to the signing 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 The Recipient shall:

- (a) Ensure that all disbursements under the Grant are made in accordance with the Disbursement Rules and Procedures of the Bank;
- (b) Ensure that all contracts and disbursement requests are denominated in either United States Dollars or European Euro; in which case requests denominated in any other currency shall not be disbursed; and
- (c) In accordance with section 4.06 of the *General Conditions* of the Bank, provide the Bank with evidence of the authority of the person or persons authorized to sign requests for disbursement and authenticated specimen signatures of any such persons.

4.4 **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 3.1 above and the provision by the Recipient of evidence, in form and substance satisfactory to the Bank, of the fulfilment of the following conditions:

- (a) The opening of two (2) foreign currency (United States Dollars or European Euro) denominated special accounts, in a bank acceptable to the Bank for the deposit of the proceeds of the Grant; one special account will be designated for the Ministry of Energy while the other will be for the MCC Compact Development Secretariat;

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- (b) The PIUs shall comprise a Project Coordinator, Procurement Expert, a Monitoring and Evaluation Officer and a Project Accountant whose qualifications shall be acceptable to the Bank;
- (c) The appointment of the existing Management Team for the Ministry of Energy and the MCC National Advisory Council for the MCC Compact Development Secretariat in the Office of the Chief of Staff as a Project Steering Committee (PSC); and
- (d) The submission of the final Audited Financial Statements and full justification of the Special Account for Technical Assistance to Support Development of Constraints Analysis for Compact Development Process of the Millennium Challenge Corporation (MCC) for Sierra Leone (TA -MCC CA) by MCC Compact Development Secretariat in the Office of the Chief of Staff.

4.5 **Undertakings.** Under this Agreement, the Recipient undertakes as follows:

- (a) To ensure that the PIU submits quarterly Interim Financial Reports (IFRs), in form and substance acceptable to the Bank and within thirty (30) days of the end of each calendar quarter, on all the transactions of the Project and progress reports from all consultancies;
- (b) To submit a final report in form and substance acceptable to the Bank at the end of the Project;
- (c) To carry out the Project and ensure that its consultants carry out the Project in accordance with all relevant national legislation;
- (d) To submit an audit report (with the accompanying management letter) to the Bank within six (6) months after the end of each fiscal year. The audit report shall be carried out by independent auditors on terms and conditions acceptable to the Bank. The procurement of independent audit services will be done locally under the guidance of the Office of the Auditor-General. The Project will meet the cost of such audits; and
- (e) To ensure that the PIU will maintain adequate internal control systems in place at all times and an accounting system in accordance with internationally accepted accounting principles and the Bank's guidelines. The Project financial statements shall be prepared in accordance with either International Financial Reporting Standards (IFRS) or International Public Sector Accounting Standards (IPSAS) or National Accounting Standards which comply with either IFRS or IPSAS in all material standards and the Bank's guidelines.

5. **Procurement**

- 5.1 All consulting services and goods required for the project and to be financed out of the proceeds of the Grant shall be procured in accordance with the Bank's Rules





*and Procedures for Goods and Works and Rules and Procedures for the Use of Consultants May 2008 Edition, (revised July 2012), as may be amended from time to time, and will use the Bank's Standard Bidding Documents.*

The procurement of goods will be done through shopping (SH) bidding procedures.

- 5.2 Consultancy Services: The consultancy services shall be procured through Shortlisting of individual consultants using the individual consultancy procedures of the Bank.
- 5.3 Audit services: Audit services shall be procured through Shortlist, using Least Cost Selection (LCS).
- 5.4 Short Lists composed entirely of National or Regional Consultants; Short lists of consultants for services estimated to cost less than UA 200,000 equivalent per contract for firms and UA 50,000 equivalent for individual consultants may be composed entirely of national or regional consultants in accordance with Rule 2.7 of the Rules and Procedures for the Use of Consultants.
- 5.5 The procurement of goods will be done through shopping (SH) and bidding procedures.
- 5.6 Review Procedure: The following documents are subject to review and approval by the Bank before promulgation: General Procurement Notice, Specific Procurement Notices; Tender Documents; Requests for Proposals; Tender Evaluation Reports; Reports on Evaluation of Consultants' Proposals, including recommendations for Contract Award. Draft Contracts will also be subject to the Bank's approval, if they have been amended from the original drafts included in the tender documents. The Bank's no-objection for consultancy technical proposals' evaluation report will be required before the financial evaluation is carried out.
- 5.7 Procurement Plan: The Bank shall review the procurement arrangements proposed by the Recipient in the Procurement Plan for its conformity with the Protocol of Agreement and its Rules. The Procurement Plan shall cover the period of at least eighteen (18) months. Any revisions proposed to the Procurement Plan shall be furnished to the Bank for its prior approval.
- 5.8 The Recipient shall not use the Grant funds for the payment of taxes relating to services required for the execution of the Project.
6. **Audit**
  - 6.1 The Recipient shall ensure that the accounts of the project are audited in accordance with generally accepted rules, by independent auditors that meet the Bank's requirements. Certified copies of the audit report should be submitted to the Bank not later than six (6) months after the financial year to which they relate.



- 6.2 The auditor is required, among other things, to:
- (a) Review the activities of the special account associated with the Project;
  - (b) Audit all Statements of Expenditures used as a basis for the submission of withdrawal applications to the Bank by the Project;
  - (c) Determine the eligibility of expenditures in accordance with this Agreement and identify any ineligible expenditure;
  - (d) Review the internal financial control mechanisms to identify deficiencies and weaknesses which could affect the efficiency of the Project;
  - (e) Form an opinion on the compliance with the Bank Group policies; and
  - (f) Form an opinion on the quality and reliability of the financial statements.

7. **Monitoring**

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**

The closing date of the Grant is **30 June 2016** 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**

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





**For the Recipient:**

**Mail Address:**

Honourable Dr. Kaifala Marah  
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

**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:**

**Fragile States Unit**



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:<sup>1</sup>

	Category of Expenditure (Services)	UNIT OF ACCOUNT (UA)		
		Foreign Cost	Local Cost	Total Cost
A	Consultancy Fees	177,044	118,029	295,074
B	Training and workshops	61,360	40,906	102,266
C	Office Equipment & Accessories	7,817	5,211	13,028
D	Project Management Costs	6,961	4,640	11,601
E	Travel and Lodging Costs	9,966	6,644	16,610
F	Audit Services	6,253	4,169	10,422
	<b>Total</b>	<b>269,400</b>	<b>179,600</b>	<b>449,000</b>



<sup>1</sup> Task Manager please insert cost table; "Detailed Project Costs by Components"



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