

**EXECUTION VERSION**

**MILLENNIUM CHALLENGE ACCOUNT THRESHOLD PROGRAM**

**GRANT AGREEMENT**

**BETWEEN**

**THE UNITED STATES OF AMERICA,  
ACTING THROUGH THE MILLENNIUM CHALLENGE CORPORATION**

**AND**

**THE REPUBLIC OF SIERRA LEONE,  
ACTING THROUGH THE MINISTRY OF FINANCE AND ECONOMIC  
DEVELOPMENT**

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## THRESHOLD PROGRAM GRANT AGREEMENT

This THRESHOLD PROGRAM GRANT AGREEMENT (this “*Agreement*”), dated November 17, 2015, is made between the United States of America, acting through the Millennium Challenge Corporation (“*MCC*”), and the Republic of Sierra Leone (“*Sierra Leone*”), acting through the Ministry of Finance and Economic Development (the “*Government*”, and, collectively with MCC, the “*Parties*” and each, individually, a “*Party*”).

### RECITALS

WHEREAS, MCC has authorized a program to provide assistance under Section 616 of the Millennium Challenge Act of 2003, as amended, to selected candidate countries that have demonstrated a commitment to strengthening good governance, economic freedom and investments in people in order to assist such countries to become eligible for a Millennium Challenge Compact (the “*Threshold Program*”); and

WHEREAS, MCC has selected Sierra Leone as eligible for the Threshold Program; and

WHEREAS, the Parties wish to implement the program described herein to achieve the goals and objectives described herein (as such program description and objectives may be amended from time to time in accordance with the terms hereof, the “*Program*”);

NOW, THEREFORE, the Parties agree as follows:

### ARTICLE 1.

#### GOAL AND OBJECTIVES

Section 1.1 Program Goal. The goal of this Agreement is to assist Sierra Leone to become eligible for a Millennium Challenge Compact by supporting the implementation of critical institutional and policy reforms that address binding constraints to economic growth in Sierra Leone (the “*Program Goal*”). MCC’s assistance will be provided in a manner that strengthens good governance, economic freedom and investments in the people of Sierra Leone

Section 1.2 Program Objective. The objective of the Program (the “*Program Objective*”) is to establish a foundation for the more effective and financially-sustainable provision of water and electricity services in greater Freetown by establishing independent regulation, strengthening key institutions improving and expanding customer service, and increasing transparency and accountability in the provision of these services in order to improve service delivery and limit opportunities for corruption. The Program consists of the projects described in Annex I (each, a “*Project*” and collectively, the “*Projects*”).

Section 1.3 Project Objectives. The objective of each of the Projects (each, a “*Project Objective*” and collectively, the “*Project Objectives*”) is as follows:

(a) The objective of the Regulatory Strengthening Project is to support the Government in its efforts to operationalize and build core capacities at the Electricity and Water Regulatory Commission in order to ensure transparency, support the long-term financial sustainability of the water and electricity sectors, and improve overarching sector governance.

(b) The objective of the Water Sector Reform Project is to support Government efforts to (i) improve water sector coordination; (ii) strengthen commercial practices, operational independence, and planning capacity at the Guma Valley Water Company; and (iii) enhance transparency, accountability and customer service practices through improved community, consumer, and customer engagement, as well as the establishment and utilization of new accountability mechanisms.

(c) The objective of the Electricity Sector Reform Project is to support Government efforts to (i) operationalize the emerging institutional framework and market structure in Sierra Leone's electricity sector; (ii) improve integrated planning capacity; and (iii) strengthen operational efficiency and corporate governance at targeted electricity sector institutions, particularly the Electricity Generation and Transmission Company.

## **ARTICLE 2.**

### **PROGRAM FUNDING**

#### **Section 2.1 Program Funding.**

(a) MCC hereby grants to the Government, subject to the terms of this Agreement, an amount not to exceed forty-four million four hundred thousand United States dollars (US\$44,400,000) (the "**Grant**") to support implementation of the Program, as such Program is described in greater detail in Annex I.

(b) The Grant will be disbursed from time to time (each, a "**Disbursement**") in accordance with the terms of this Agreement, including any conditions to disbursement contained in this Agreement.

(c) The Grant will be allocated as described in Annex III, or as otherwise agreed in accordance with this Agreement.

**Section 2.2 Interest.** Unless MCC agrees otherwise, to the extent that any interest or other earnings may accrue on the Grant before such funding is used for a Program purpose, the Government will pay or transfer such amounts to MCC, in accordance with this Agreement.

#### **Section 2.3 Government Resources; Budget.**

(a) The Government will provide all funds and other resources, and will take all actions, that are necessary to carry out the Government's responsibilities and obligations under this Agreement.

(b) The Government will use its best efforts to ensure that the amount of the Grant that it receives or is projected to receive in each of its fiscal years is fully accounted for in its

annual budget.

(c) Unless the Government discloses otherwise to MCC in writing, the Grant will be in addition to the resources that the Government would otherwise receive or budget for the activities implemented under the Program.

#### Section 2.4 Use of the Grant.

(a) The Government will ensure that the Grant and any assets or services funded by the Grant, in whole or in part, will be used solely in furtherance of this Agreement and the Program.

(b) The Government also will ensure that no Grant funding will be used for any purpose that would violate United States law or policy, as specified in this Agreement or as further notified to the Government in writing by MCC, including but not limited to the following purposes:

(i) for assistance to, or training of, the military, police, militia, national guard or other quasi-military organization or unit;

(ii) for any activity that is likely to cause a substantial loss of United States jobs or a substantial displacement of United States production;

(iii) to undertake, fund or otherwise support any activity that is likely to cause a significant environmental, health or safety hazard, as further described in the “MCC Environmental Guidelines” posted at [www.mcc.gov](http://www.mcc.gov) (the “*MCC Website*”) or otherwise made available by MCC to the Government (“*MCC Environmental Guidelines*”) (to the extent applicable to the Threshold Program and as may be further instructed by MCC from time to time); or

(iv) to pay for the performance of abortions as a method of family planning or to motivate or coerce any person to practice abortions, to pay for the performance of involuntary sterilizations as a method of family planning or to coerce or provide any financial incentive to any person to undergo sterilizations or to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning.

#### Section 2.5 Taxes.

(a) Unless the Parties agree otherwise, the Government will ensure that the Grant is free from the payment or imposition of any existing or future taxes, duties, levies, contributions or other similar charges (but not fees or charges for services that are generally applicable in Sierra Leone, reasonable in amount and imposed on a non-discriminatory basis) (“*Taxes*”) of or in Sierra Leone (including any such Taxes imposed by a national, regional, local or other governmental or taxing authority of or in Sierra Leone). Specifically, and without limiting the generality of the foregoing, the Grant will be free from the payment of (i) any tariffs, customs duties, import taxes, export taxes and other similar charges on any goods, works or services introduced into Sierra Leone in connection with the Program; (ii) sales tax, goods and services

tax, value-added tax, excise tax, property transfer tax and other similar charges on any transactions involving goods, works or services in connection with the Program; (iii) taxes and other similar charges on ownership, possession or use of any property in connection with the Program; and (iv) taxes and other similar charges on income, profits or gross receipts attributable to work performed in connection with the Program and related social security taxes and other similar charges on all natural or legal persons performing work in connection with the Program except (A) natural persons who are citizens or permanent residents of Sierra Leone; and (B) legal persons formed under the laws of Sierra Leone (but excluding the Accountable Entity and any other entity formed for the purpose of implementing the Government's obligations hereunder).

(b) The Government and MCC may enter into one or more agreements setting forth the mechanisms that the Government will use to implement the tax exemption required by this Section 2.5. Such mechanisms may include exemptions from the payment of Taxes that have been granted in accordance with applicable law, refund or reimbursement of Taxes by the Government to MCC, the Accountable Entity or to the taxpayer, or payment by the Government to the Accountable Entity or MCC, for the benefit of the Program, of an agreed amount representing any collectible Taxes on the items described in this Section 2.5. The Parties understand that an agreement pursuant to this Section 2.5(b) may be entered into by the Government without the need for further action by the Government (including any parliamentary action), or satisfaction of any additional domestic requirements of Sierra Leone.

(c) If a Tax has been paid contrary to the requirements of this Section 2.5, the Government will refund promptly to MCC (or to another party designated by MCC) the amount of such Tax in United States dollars or the currency of Sierra Leone within thirty days (or such other period as may be agreed in writing by the Parties) after the Government is notified in writing (whether by MCC or the Accountable Entity) that such Tax has been paid.

(d) The Grant, including any proceeds thereof or Program Assets, may not be applied by the Government in satisfaction of its obligations under this Section 2.5.

### **ARTICLE 3.**

#### **GOVERNMENT REPRESENTATIONS AND OBLIGATIONS**

Section 3.1 Government Representations. The Government hereby represents to MCC that the information provided to MCC by or on behalf of the Government in the course of reaching this Agreement is true, correct, and complete in all material respects.

Section 3.2 Government Responsibilities.

(a) Principal Responsibility. The Government is responsible for overseeing and managing the implementation of the Program.

(b) Accountable Entity. The Government hereby establishes the Millennium Challenge Coordinating Unit (“*MCCU*”) in the Office of the President as an independent entity with legal personality pursuant to the terms and conditions of this Agreement, and hereby designates the Millennium Challenge Coordinating Unit to implement the Program and to exercise and perform the Government's right and obligation to oversee, manage and implement

the Program, including without limitation, managing the implementation of the Projects, allocating resources and managing procurements. Such entity will: (i) be referred to herein as the “**Accountable Entity**”; (ii) have the authority to bind the Government with regard to the Program (including, without limitation, the legal authority to execute contracts, grants, cooperative agreements or other, similar arrangements); and (iii) act in accordance with MCC’s “Guidelines for Accountable Entities and Implementation Structures” provided by MCC or posted on the MCC Website (the “**MCC Governance Guidelines**”) (to the extent applicable to the Threshold Program and as may be further instructed by MCC from time to time). The designation of the Accountable Entity contemplated by this Section 3.2(b) will not relieve the Government of any obligations or responsibilities hereunder or under any related agreement, for which the Government remains fully responsible. MCC hereby acknowledges and consents to the designation in this Section 3.2(b). With the prior written consent of MCC, the Government may designate one or more additional entities to implement the Program and to exercise and perform the Government’s right and obligation to oversee, manage and implement the Program.

(c) Policy Performance. In addition to undertaking the specific policy, legal and regulatory reform commitments identified in Annex I, Annex II or elsewhere in this Agreement (if any), the Government will seek to maintain and to improve its level of performance under the policy criteria identified in Section 607 of the Millennium Challenge Act of 2003, as amended.

(d) Program Assets. Unless MCC agrees otherwise, the Government will ensure that any Program Assets or services funded in whole or in part (directly or indirectly) by the Grant are used solely in furtherance of this Agreement and the Program.

(e) Achievement of Program Objective. The Government will take all necessary or appropriate steps to achieve the Program Objective and the Project Objectives prior to the Completion Date (including, without limitation, funding all costs that exceed the Grant and are required to carry out the terms hereof and achieve such objectives, except as MCC otherwise agrees).

(f) Intellectual Property. The Government grants to MCC a perpetual, irrevocable, royalty-free, worldwide, fully paid, assignable right and license to practice or have practiced on its behalf (including the right to produce, reproduce, publish, repurpose, use, store, modify or make available) any portion or portions of Intellectual Property as MCC sees fit in any medium, now known or hereafter developed, for any purpose whatsoever.

(g) Impoundment; Liens or Encumbrances. The Government will ensure that neither the Grant nor any asset acquired with Grant funding will be subject to any impoundment, rescission, sequestration, liquidation, lien, attachment, enforcement of judgment, pledge, or encumbrance of any kind (each a “**Lien**”), except with MCC’s prior written approval. In the event any Lien is nonetheless imposed, the Government will promptly seek the release of such Lien and, if such Lien is imposed by a final non-appealable court order, will pay any amounts due in order to obtain such release; *provided, however*, that the Government will not apply any portion of the Grant funding or any other funds received from MCC (or assets acquired with funds provided by MCC) to satisfy any of its obligations under this Section 3.2(g).

(h) Insurance; Performance Guaranties. The Government will ensure to MCC's satisfaction that any assets acquired with Grant funding are insured and will arrange such other appropriate insurance to cover against risks or liabilities associated with the Program and the transactions contemplated thereby, including by requiring Providers or Covered Providers to obtain adequate insurance and to post adequate performance bonds or other guaranties. The Government or the Accountable Entity will be named as the payee (or an additional insured, as the case may be) on any such insurance and the beneficiary of any such guaranty or bonds. The Government will promptly notify MCC of the payment of any proceeds from claims paid under such insurance or guaranty, and will ensure that any such proceeds will be used to replace or repair any lost, stolen, or damaged assets acquired with Grant funding; *provided, however*, that, at MCC's election, such proceeds will be deposited in an account as designated by or as otherwise directed by MCC.

(i) Autonomy. The Government will ensure that (i) no decision of the Accountable Entity is modified, supplemented, unduly influenced, or rescinded by any governmental authority, except by a non-appealable judicial decision or as otherwise approved by MCC, and (ii) the authority of the Accountable Entity will not be expanded, restricted, or otherwise modified, except in accordance with this Agreement or as otherwise approved by MCC in writing.

(j) Performance Liabilities. No Grant funding or any other funding received from MCC (or assets acquired with funds provided by MCC) may be used to pay any damages, including any indemnification-related payments, incurred or owed by the Government or the Accountable Entity under any agreement between the Government or the Accountable Entity, on the one hand, and any third party.

(k) Publicity. The Government will give appropriate publicity to this Agreement as a program to which the United States of America, through MCC, has contributed, including by posting this Agreement, in English, as MCC may request, on an agreed website, identifying the Grant activity sites and marking assets acquired with the Grant, all in accordance with MCC's "Standards for Global Marking" provided by MCC or posted on the MCC Website (the "**MCC Marking Standards**"); *provided, however*, that any press release or announcement regarding MCC or the fact that MCC is making the Grant or any other publicity materials referencing MCC will be subject to MCC's prior written approval. MCC may post this Agreement on the MCC Website. MCC may also freely use any information it receives in any report or document provided to it with respect to the Program, the Grant or this Agreement.

(l) Further Assurances. The Government will promptly do and perform such other and further acts, and take all necessary and appropriate actions, including using its best efforts to obtain all necessary approvals and consents to otherwise effectively carry out the obligations of the Government set forth in this Agreement.

## ARTICLE 4.

### IMPLEMENTATION FRAMEWORK

Section 4.1 Program Implementation Plan. The framework for implementation for the Program will be further elaborated in a set of documents, in form and substance approved by MCC, consisting of: (i) the Detailed Financial Plan; (ii) one or more Procurement Plans; (iii) a Work Plan; and (iv) an Audit Plan (each, an “**Implementation Plan Document**” and, collectively, the “**Implementation Plan**”). The Government will submit its proposed Implementation Plan for review and approval by MCC by the timeframes set forth in this Agreement and at least on an annual basis thereafter (or in such other interval as may be required by the Program Guidelines). MCC will review the proposed Implementation Plan and as necessary may request the Government to submit clarifications or adjustments. The Government will submit an updated Implementation Plan or updated Implementation Plan Document during any quarter in which significant changes or modifications are made to a Project or to the Program, or when the Government determines that the expected results, targets and milestones for the specified year are not likely to be achieved; *provided, however*, that an updated Detailed Financial Plan will be submitted each quarter and an updated Procurement Plan will be submitted at least every six months. In such instances, the Government will submit to MCC for approval a proposed revised Implementation Plan or updated Implementation Plan Document (as applicable) on the same date as the next Disbursement Request is due. The Government will ensure that the implementation of the Program is conducted in accordance with the Implementation Plan.

(a) Detailed Financial Plan. Unless MCC agrees otherwise, the Government will develop, adopt and implement a detailed financial plan (as approved by MCC) in accordance with the MCC Reporting Guidelines (to the extent applicable to the Threshold Program and as may be further instructed by MCC from time to time) (as supplemented or otherwise modified from time to time, the “**Detailed Financial Plan**”). The Detailed Financial Plan will set forth the funding requirements for each activity of the Program (including administrative costs) and for each Project, broken down to the sub-activity level (or lower, where appropriate), and projected both on a commitment and cash requirement basis. Annex III, attached hereto, sets forth the allocation of Grant funding for the Program. Annex III may be modified from time to time by agreement of the Parties in accordance with the terms of this Agreement.

(b) Procurement Plan. The Government will develop a procurement plan covering each procurement relating to the Program (each, a “**Procurement Plan**”), and submit such Procurement Plan to MCC for approval before commencing the relevant procurement. Each Procurement Plan will identify, among other things, the method of procurement for the goods, works, or services to be procured. The Government will ensure that all goods, works or services will be procured using the procurement method as approved in each Procurement Plan, and will comply with the method of procurement outlined in such Procurement Plan.

(c) Work Plan. The Government will develop, adopt and implement a work plan, in form and substance satisfactory to MCC, for the overall administration of the Program (the “**Work Plan**”). In addition, the Government will develop, adopt and implement such other work plans relating to the Projects and/or Activities as MCC may request from time to time.

(d) Audit Plan. The Government will develop, adopt and implement a plan, in accordance with the MCC Audit Guidelines (to the extent applicable to the Threshold Program and as may be further instructed by MCC from time to time), for the audit of the expenditures of the entities that are subject to audit pursuant to the MCC Audit Guidelines (the “**Audit Plan**”). The Audit Plan will be in form and substance satisfactory to MCC and will be developed no later than sixty days before the end of the first period to be audited. Unless MCC agrees otherwise in writing, the Government will engage one or more auditors as contemplated in the MCC Audit Guidelines (each, an “**Auditor**”) to undertake the audits contemplated by the Audit Plan.

Section 4.2 Monitoring and Evaluation. The Government will develop, adopt and implement a monitoring and evaluation plan (the “**M&E Plan**”) that will serve as the primary governing document for monitoring and evaluation activities for the Program. The M&E Plan will be developed and updated in accordance with the “MCC Policy for Monitoring and Evaluation of Compacts and Threshold Programs” provided by MCC or posted on the MCC Website (the “**M&E Policy**”).

Section 4.3 Procurement and Grants.

(a) The Government will ensure that the procurement of all goods, works and services required to implement the Program will be consistent with the “MCC Program Procurement Guidelines” provided by MCC or posted on the MCC Website (the “**MCC Program Procurement Guidelines**”) (to the extent applicable to the Threshold Program and as may be further instructed in writing by MCC from time to time). The MCC Program Procurement Guidelines include, among others, the following requirements:

(i) open, fair and competitive procedures must be used in a transparent manner to solicit, award and administer contracts and to procure goods, works and services;

(ii) solicitations for goods, works and services must be based upon a clear and accurate description of the goods, works and services to be acquired;

(iii) contracts must be awarded only to qualified contractors that have the capability and willingness to perform the contracts in accordance with their terms on a cost effective and timely basis; and

(iv) no more than a commercially reasonable price, as determined, for example, by a comparison of price quotations and market prices will be paid to procure goods, works and services.

(b) Unless MCC agrees otherwise, the Government will ensure that any grant issued in furtherance of the Program (each, a “**Program Grant**”) is awarded, implemented and managed pursuant to open, fair and competitive procedures administered in a transparent manner acceptable to MCC. In furtherance of this requirement, and prior to the issuance of any Program Grant, the Government and MCC will agree upon written procedures to govern the identification of potential recipients, including without limitation appropriate eligibility and selection criteria and award procedures.

Section 4.4 Fiscal Accountability. Unless MCC agrees otherwise, the Government will develop, adopt and implement a manual (as approved by MCC) setting forth the principles, mechanisms and procedures (the “**Fiscal Accountability Plan**”) that will be used to ensure appropriate fiscal accountability and compliance with the “Cost Principles for Accountable Entity Operations” provided by MCC or posted on the MCC Website (the “**MCC Cost Principles**”) (to the extent applicable to the Threshold Program and as may be further instructed in writing by MCC from time to time) for the use of the Grant funding. The Fiscal Accountability Plan will include, among other things, requirements with respect to (a) budgeting; (b) accounting; (c) cash management; (d) financial transactions (receipts and payments); (e) opening and managing Permitted Accounts; (f) personnel and payroll; (g) travel and vehicle use; (h) asset and inventory control; (i) audits; and (j) reporting. The Fiscal Accountability Plan will be revised periodically, subject to review and approval by MCC.

Section 4.5 Environmental, Gender and other Program Guidelines.

(a) Unless MCC agrees otherwise, the Government will ensure that activities undertaken, funded or otherwise supported in whole or in part (directly or indirectly) by Grant funding comply with the MCC Environmental Guidelines, including the environmental and social performance standards set forth in the Performance Standards on Environmental and Social Sustainability of the International Finance Corporation (as in effect from time to time, the “**IFC Performance Standards**”) that have been incorporated by reference into the MCC Environmental Guidelines (in each case, to the extent applicable to the Threshold Program and as may be further instructed in writing by MCC from time to time). The Government also will ensure that the Program complies with all national environmental laws and regulations, licenses and permits, except to the extent such compliance would be inconsistent with this Agreement. Unless MCC agrees otherwise in writing, the Government will fund all necessary costs of environmental and social mitigation measures (including, without limitation, costs of resettlement) not specifically provided for, or that exceed the amount of Grant funding specifically allocated for such costs, in the Detailed Financial Plan for any Project.

(b) Unless MCC agrees otherwise, the Government will ensure that activities undertaken, funded or otherwise supported in whole or in part (directly or indirectly) by Grant funding comply with the MCC Gender Policy and the MCC Gender Integration Guidelines (in each case, to the extent applicable to the Threshold Program and as may be further instructed in writing by MCC from time to time).

(c) Unless MCC agrees otherwise, the Government will ensure that activities undertaken, funded or otherwise supported in whole or in part (directly or indirectly) by Grant funding comply with the Program Guidelines (in each case, to the extent applicable to the Threshold Program and as may be further instructed by MCC from time to time).

Section 4.6 Reports.

(a) Periodic Reports. Unless MCC agrees otherwise, the Government will provide to MCC the periodic reports required by the “MCC Guidance on Quarterly MCA Disbursement Request and Reporting Package” provided by MCC or posted on the MCC Website (the “**MCC Reporting Guidelines**”) (as applicable to the Threshold Program and as may be further instructed

in writing by MCC from time to time), in each case timely delivered and in form and substance satisfactory to MCC.

(b) Additional Reports. In addition to the reports required by Section 4.6(a), the Government will provide to MCC within thirty days of a written request by MCC, or as otherwise agreed by the Parties in writing, such other reports or documents as MCC may request from time to time as related to any component of the Implementation Plan, the Fiscal Accountability Plan or in connection with any activity or Disbursement.

#### Section 4.7 Records; Accounting; Providers; Access.

(a) Records. The Government will maintain, and will use its best efforts to ensure that the Accountable Entity and any Covered Providers maintain, accounting books, records, documents, and other evidence relating to the Program adequate to show, to MCC's satisfaction, the use of all Grant funding (collectively, the "**Records**"). The Government will furnish or cause to be furnished to MCC upon MCC's request originals or copies of all such Records.

(b) Accounting. The Government will maintain, and will use its best efforts to ensure that the Accountable Entity and any Covered Providers maintain, Records in accordance with generally accepted accounting principles prevailing in the United States, or at the Government's option and with MCC's prior written approval, other accounting principles, such as those (i) prescribed by the International Accounting Standards Board or (ii) then prevailing in Sierra Leone. Records must be maintained for at least five years after the end of the term of this Agreement or for such longer period, if any, required to resolve any litigation, claims or audit findings, or any statutory requirements.

(c) Access. Upon MCC's request, the Government, at all reasonable times, will permit, or cause to be permitted, authorized representatives of MCC, the Inspector General of MCC ("**Inspector General**"), the United States Government Accountability Office, any auditor responsible for an audit contemplated herein or otherwise conducted in furtherance of this Agreement, and any agents or representatives engaged by MCC or the Government to conduct any assessment, review or evaluation of the Program, the opportunity to audit, review, evaluate or inspect facilities, assets and activities funded in whole or in part by Grant funding.

#### Section 4.8 Audits; Reviews.

(a) Government Audits. Unless MCC agrees otherwise, the Government will, on an annual basis (or on a more frequent basis if requested by MCC in writing), conduct, or cause to be conducted, financial audits of all disbursements of Grant funding covering the period from signing of this Agreement until the following March 31 and covering each twelve-month period thereafter ending March 31, until the Completion Date. In addition, upon MCC's request, the Government will ensure that such audits are conducted by an independent auditor approved by MCC and named on the list of local auditors approved by the Inspector General or a United States-based certified public accounting firm selected in accordance with the *Guidelines for Financial Audits Contracted by the Millennium Challenge Corporation's Accountable Entities* (the "**MCC Audit Guidelines**") issued and revised from time to time by the Inspector General, which are posted on the MCC Website. Audits will be performed in accordance with the MCC

Audit Guidelines and be subject to quality assurance oversight by the Inspector General. Each audit must be completed and the audit report delivered to MCC no later than 90 days after the applicable audit period, or such other period as the Parties may otherwise agree in writing.

(b) Audits of Other Entities. The Government will ensure that MCC-financed agreements between the Government or any Provider, on the one hand, and (i) a United States nonprofit organization, on the other hand, state that the United States nonprofit organization is subject to the applicable audit requirements contained in the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, issued by the United States Office of Management and Budget; (ii) a United States for-profit Covered Provider, on the other hand, state that the United States for-profit organization is subject to audit by the applicable United States Government agency, unless the Government and MCC agree otherwise in writing; and (iii) a non-United States Covered Provider, on the other hand, state that the non-United States Covered Provider is subject to audit in accordance with the MCC Audit Guidelines.

(c) Corrective Actions. The Government will use its best efforts to ensure that each Covered Provider (i) takes, where necessary, appropriate and timely corrective actions in response to audits, (ii) considers whether the results of the Covered Provider's audit necessitates adjustment of the Government's records, and (iii) permits independent auditors to have access to its records and financial statements as necessary.

(d) Audit by MCC. MCC will have the right to arrange for audits of the Government's use of Grant funding.

Section 4.9 Required MCC Approvals. Each of the following transactions, agreements and documents will require MCC's prior written approval:

- (a) Any Disbursement and each Disbursement Request;
- (b) Implementation Plan (including each element or component thereof), the Fiscal Accountability Plan and the M&E Plan, and any modification of any of the foregoing;
- (c) All agreements between the Government and the Accountable Entity, and agreements in which any of the following are appointed, hired or otherwise engaged (each of the foregoing, a "**Material Agreement**"):
  - (i) Auditor;
  - (ii) Bank;
  - (iii) a member of the Accountable Entity's board of directors (including any observer) or any Officer of the Accountable Entity (including agreements modifying compensation for any such person);
- (d) Any modification, termination or suspension of a Material Agreement, or any action that would have equivalent effect;

- (e) Any agreement or transaction of the Accountable Entity that is not arm's-length;
- (f) Any pledge of any Grant funding or any Program Assets, or any incurrence of material indebtedness, or any guarantee, directly or indirectly of any indebtedness;
- (g) Any decree, legislation, regulation, charter, contractual arrangement or other document establishing or governing (other than public laws of general application to all public institutions), or relating to the formation, organization or governance of, the Accountable Entity, and any amendment, supplement, modification, repeal or other alteration thereof or thereto (each, a "**Governing Document**");
- (h) Any disposition, in whole or in part, liquidation, dissolution, winding up, reorganization or other change of the Accountable Entity, including any revocation or modification of or supplement to any Governing Document related thereto;
- (i) Any change in character or location of any Permitted Account;
- (j) (i) any change of any member of the Accountable Entity's board of directors, any observer, the chairperson of the board, the composition or size of the board or the filling of any vacant seat on the board, or the replacement of any observer; (ii) any change of any Officer of the Accountable Entity or in the composition or size of its management unit, and the filling of any vacant position of any Officer of the Accountable Entity;
- (k) Any decision by the Accountable Entity to engage, accept or manage any funds in addition to the Grant (including from any donor agencies or organizations) prior to the Completion Date, or to engage in any activities or undertake any duties or responsibilities other than those contemplated under this Agreement or any related agreement or document;
- (l) Any agreement, transaction, decision or other action or document for which MCC approval is required under any of the Program Guidelines, including the MCC Program Procurement Guidelines; and
- (m) Any decision to amend, supplement, replace, terminate or otherwise change any of the foregoing documents or arrangements.

Section 4.10 Implementation Letters. From time to time, MCC may provide guidance or instructions to the Government in writing on any matters relating to this Agreement, the Grant or implementation of the Program (each, an "**Implementation Letter**"). The Government will use such guidance or instructions in implementing the Program. The Parties may also issue jointly agreed-upon Implementation Letters to confirm and record their mutual understanding on aspects related to the implementation of this Agreement or other related agreements.

**ARTICLE 5.**  
**DISBURSEMENT OF GRANT FUNDING**

Section 5.1 Disbursement Process.

(a) Disbursement Requests. The Government may request Disbursements of the Grant by submitting a written request to MCC substantially in the form of the “Disbursement Request” provided by MCC or posted on the MCC Website (each, a “*Disbursement Request*”), duly completed, not later than 20 days (or such other period of time as may be agreed by MCC) prior to the commencement of each Disbursement Period. Unless MCC agrees otherwise, the Government may submit only one Disbursement Request for each calendar quarter (such quarter, or any other period of time as agreed by MCC, the “*Disbursement Period*”).

(b) Approval of Disbursement Requests; Release of Proceeds.

(i) Upon receipt of a Disbursement Request, MCC will determine the appropriate aggregate amount of Disbursements permitted for the applicable Disbursement Period based on, among other things: (A) progress achieved under the Implementation Plan; (B) the amount of funds required to complete the activities described in the accompanying Disbursement Request during such Disbursement Period; and (C) the satisfaction, waiver, or deferral of the conditions precedent applicable to the requested Disbursements.

(ii) MCC may, in its sole discretion, reject any Disbursement Request completely, or reject or reduce the amount of any Disbursement requested thereunder, based on among other things: (A) any modification made to, or failure to achieve progress under, the Implementation Plan; or (B) if any condition precedent applicable to the requested Disbursements has not been satisfied, waived, or deferred.

(iii) Subject to MCC’s approval of a Disbursement Request, the proceeds of the Disbursements approved thereunder may be transferred, at MCC’s sole election: (A) to a Permitted Account; (B) directly to a third party as payment for goods, works, or services received by the Government or the Accountable Entity, as applicable, in accordance with MCC’s common payment system (the “*Common Payment System*”) or any alternate payment system approved by MCC; or (C) directly to an employee of the Accountable Entity (or to the Government, as reimbursement for authorized expenses of the Accountable Entity); *provided, however,* that any expenditure of such proceeds is authorized by the Government or the Accountable Entity, as applicable, and any related payment complies with the most recently approved Detailed Financial Plan and the standards and procedures set forth in the Fiscal Accountability Plan.

(iv) Unless MCC agrees otherwise, any Disbursement, or financial commitment involving Grant funding may be made, and a Disbursement Request may be submitted, only if the related expense is provided for in the Detailed Financial Plan and sufficient uncommitted funds exist in the Detailed Financial Plan for that object of expense and for the relevant Disbursement Period.

(c) Permitted Accounts.

(i) Any Grant funding to be disbursed to a bank account must be deposited in a bank account (the “**Local Account**”) established by the Accountable Entity in the local currency of Sierra Leone or United States dollars, as agreed by the Parties, at a financial institution acceptable to MCC. With prior MCC approval, the Accountable Entity may establish such other bank accounts as are needed for the purposes of implementing the Program (each such other bank account, together with the Local Account, a “**Permitted Account**”). Before any Grant funding is deposited into a Permitted Account, the Government will ensure that the Accountable Entity enters into an agreement, in form and substance satisfactory to MCC, with the financial institution approved by MCC to hold such Permitted Account (each a “**Bank**”), which sets forth the signatory authority, access rights, anti-money laundering and anti-terrorist financing provisions, and other terms related to such Permitted Account (each a “**Bank Agreement**”). The terms and operation of the Permitted Accounts will be set forth in the Fiscal Accountability Plan and the Bank Agreement.

(ii) Unless MCC agrees otherwise, Grant funding held in a Permitted Account will accrue interest or other earnings in accordance with the applicable Bank Agreement. On a quarterly basis and upon the termination or expiration of this Agreement or the relevant Bank Agreement, the Government will ensure the transfer to MCC of any interest accrued on amounts held in a Permitted Account.

(iii) Unless MCC agrees otherwise, no funds will be commingled in a Permitted Account other than Grant funding and accrued interest and earnings thereon. MCC will have the right, among other things, to view any Permitted Account statements and activity directly on-line, and where such viewing is not feasible, the Government will provide copies of such statements to MCC upon its request.

(iv) Unless MCC agrees otherwise, if Grant funding is held in any Permitted Account other than the Local Account, the Government will ensure that such Grant funding will be denominated in United States dollars prior to release. Unless MCC agrees otherwise, to the extent that any amount of Grant funding held by the Bank in United States dollars must be exchanged into the currency of Sierra Leone for any purpose, the Government will ensure that such exchange is consistent with Section 2.5 and the requirements of the Bank Agreement.

Section 5.2 Conditions Precedent to the Initial Disbursement. Unless waived or deferred by MCC in writing, the conditions set forth in this Section 5.2 and the conditions set forth in Section 5.3 must have been met to MCC’s satisfaction prior to the initial Disbursement of the Grant:

(a) Legal Opinion. The Government has delivered to MCC a signed legal opinion by the Attorney General of Sierra Leone or other counsel acceptable to MCC.

(b) Implementation Plan. The Government has developed and adopted the Implementation Plan Documents (other than the Work Plan).

(c) Permitted Account. To the extent that any portion of the Disbursement will be held in a Permitted Account, the Government has established the Local Account and any other required Permitted Account.

(d) Fiscal Accountability Plan. The Government has developed and adopted the Fiscal Accountability Plan (or an interim version).

(e) Officers. Each of the Officers has been selected and engaged by the Accountable Entity and approved by MCC.

Section 5.3 Conditions Precedent to Each Disbursement. Unless waived or deferred in writing by MCC, the following conditions must have been met to MCC's satisfaction prior to each Disbursement of the Grant (including the initial Disbursement of the Grant):

(a) Deliverables. The Government has delivered to MCC the following documents, in form and substance satisfactory to MCC:

(i) a completed Disbursement Request, together with the periodic reports required under Section 4.6, covering the related Disbursement Period; and

(ii) a certificate from the Accountable Entity, dated as of the date of such Disbursement Request, substantially in the form provided by MCC.

(b) Other Conditions Precedent. MCC has determined in its sole discretion that:

(i) any applicable conditions precedent in Annex II have been duly satisfied, deferred or waived pursuant to the terms of this Agreement;

(ii) the Government's representations set forth in Section 3.1 are true and correct on and as of the date of such Disbursement Request as though made on and as of such date;

(iii) no material breach of any responsibility, covenant or obligation by the Government, the Accountable Entity or any other Government entity has occurred and is continuing under this Agreement or any related agreement or document;

(iv) the activities to be funded with such Disbursement will not violate any applicable law or regulation;

(v) the Implementation Plan Documents and Fiscal Accountability Plan are current and updated and are in form and substance satisfactory to MCC, and there has been progress satisfactory to MCC on the components of the Implementation Plan related to such Disbursement;

(vi) there has been progress satisfactory to MCC on the M&E Plan (including the targets set forth therein, any related baseline data collection requirements set forth therein or any applicable reporting requirements set forth therein for the relevant Disbursement Period);

(vii) there has been no material negative finding in any financial audit report delivered in accordance with this Agreement and the Audit Plan for the prior two quarters (or such other period as the Audit Plan may require);

(viii) any Taxes paid with Grant funding through the date ninety days prior to the start of the applicable Disbursement Period have been reimbursed by the Government in full in accordance with Section 2.5; and

(ix) each of the Officers remains engaged, or if a position is vacant, the Government is actively engaged, to MCC's satisfaction, in recruiting a replacement.

## ARTICLE 6.

### COMPLETION DATE; TERMINATION AND SUSPENSION

Section 6.1. Completion Date. Unless the Parties agree otherwise, the date four years after this Agreement enters into force in accordance with Article 8 is the date by which the Parties estimate that all of the activities related to the implementation of the Program and the achievement of the Program Objective and the Project Objectives will be completed (the "**Completion Date**"). Unless MCC agrees otherwise, Grant funding may not be used for expenditures incurred after the Completion Date.

Section 6.2. Termination and Suspension; Expiration.

(a) Either Party may terminate this Agreement without cause in its entirety by giving the other Party 30 days' written notice; *provided, however*, that notwithstanding such termination, this Agreement will continue to be effective with respect to any activity for which a Disbursement has already been issued or approved by MCC.

(b) MCC may, upon written notice to the Government, immediately suspend or terminate this Agreement or the Grant, in whole or in part, and any obligation related thereto, if MCC determines that any circumstance identified by MCC, as a basis for suspension or termination (whether in writing to the Government or by posting on the MCC Website) has occurred, which circumstances include but are not limited to the following:

(i) the Government fails to comply with its commitments under this Agreement or any other agreement or arrangement entered into by the Government in connection with this Agreement or the Program;

(ii) an event or series of events has occurred that MCC determines makes it improbable that the Program can be performed, that the Program Objective or Project Objectives will be achieved before the Completion Date or that the Government will be able to perform its obligations under this Agreement;

(iii) a use of the Grant or continued implementation of this Agreement would violate applicable law or United States Government policy, whether now or hereafter in effect;

(iv) the Government or any other person or entity receiving Grant funding or using assets acquired in whole or in part with Grant funding is engaged in activities that are contrary to the national security interests of the United States of America;

(v) an act has been committed or an omission or an event has occurred that would render Sierra Leone ineligible to receive United States economic assistance under Part I of the Foreign Assistance Act of 1961, as amended (22 U.S.C. 2151 *et seq.*), by reason of the application of any provision of the Foreign Assistance Act of 1961 or any other provision of law;

(vi) the Government has engaged in a pattern of actions inconsistent with the criteria used to determine the eligibility of Sierra Leone for assistance under the Threshold Program; and

(vii) a person or entity receiving Grant funding or using assets acquired in whole or in part with Grant funding is found to have been convicted of a narcotics offense or to have been engaged in drug trafficking.

(c) All Disbursements will cease upon expiration, suspension or termination of this Agreement; *provided, however*, that Grant funding may be used, in compliance with this Agreement, to pay for: (i) reasonable expenditures for goods, works or services that are properly incurred under or in furtherance of this Agreement before expiration, suspension or termination of this Agreement; and *provided, further*, that the request for such expenditures is submitted within 90 days after such expiration, suspension or termination; and (ii) reasonable expenditures (including administrative expenses) properly incurred in connection with the winding up of the Program within 120 days after the expiration, suspension or termination of this Agreement.

(d) Subject to Section 6.2(c), upon the expiration, suspension or termination of this Agreement: (i) any amounts of the Grant not disbursed by MCC will be automatically released from any obligation in connection with this Agreement without any action from the Government or MCC; and (ii) any amounts of the Grant disbursed by MCC to the Government but not expended before such expiration, suspension or termination of this Agreement, including any amounts in a Permitted Account, plus accrued interest thereon, will be returned to MCC within 30 days after the Government receives MCC's request for such return, and the Government will ensure that such amount will be returned promptly to such account(s) designated by MCC.

(e) At least one year prior to the expiration, or upon termination, of this Agreement, the Parties will consult in good faith with a view to reaching agreement in writing on (i) the treatment of the Accountable Entity after the Program, (ii) the process for ensuring the refunds of Disbursements that have not yet been released from a Permitted Account or committed in accordance with Sections 6.2(c) and (d), and (iii) any other matter related to the winding up of the Program, including the proper disposition of all Program Assets. If the Accountable Entity continues operations after the Completion Date, or following the termination of this Agreement, with sources of funding other than the Grant, the Accountable Entity will cease to use the name and logo that it used during implementation of the Program, except as otherwise agreed in writing by MCC.

(f) MCC and the Government recognize that the effects of the Program will be long-ranging and its impact may not be measurable for several years after the Completion Date. Accordingly, MCC and the Government agree to cooperatively monitor the results and evaluate the impacts of the Program in Sierra Leone after the termination or expiration of this Agreement.

Section 6.3. Refunds. MCC may reinstate any suspended or terminated portion of the Grant under this Agreement if MCC determines that the Government, or other relevant person or entity, has committed to correct each condition for which the Grant was suspended or terminated.

(a) If any Grant funding, any interest or earnings thereon, or any asset acquired in whole or in part with Grant funding is used for any purpose in violation of the terms of this Agreement, then MCC may require the Government to repay to MCC in United States dollars the value of the misused portion of the Grant, interest, earnings or asset, plus interest within 30 days after the Government's receipt of MCC's request for repayment. The Government will not use Grant funding, proceeds thereof or any other funds received from MCC (assets acquired with Grant funding or with any such other funds) to make such payment.

(b) Notwithstanding any other provision in this Agreement or any other existing agreement to the contrary, MCC's right under this Section 6.3 to obtain a refund will continue during the term of this Agreement and for a period of (i) five years thereafter or (ii) one year after MCC receives actual knowledge of such violation, whichever is later.

## ARTICLE 7.

### GOVERNING LAW; AMENDMENTS; GENERAL

Section 7.1 Governing Law. This Agreement is an international agreement and as such will be governed by the principles of international law.

Section 7.2 Consultations. Either Party may, at any time, request consultations relating to the interpretation or implementation of this Agreement. Such consultations will begin at the earliest possible date.

Section 7.3 Representatives. For all purposes relevant to implementation of this Agreement, the Government will be represented by the individual holding the position of, or acting as, the Minister of Finance and Economic Development, and MCC will be represented by the individual holding the position of, or acting as, the Vice President of the Department of Policy and Evaluation (each of the foregoing, a "**Principal Representative**"). Each Party, by written notice to the other Party, may designate one or more additional representatives (each, an "**Additional Representative**") for all purposes of this Agreement except for purposes of Section 7.7(a). The Government hereby designates the Chief of Staff of the Office of the Presidency as an Additional Representative. MCC hereby designates the Deputy Vice President of the Department of Policy and Evaluation as an Additional Representative. A Party may change its Principal Representative to a new representative that holds a position of equal or higher authority upon written notice to the other Party.

Section 7.4 Communications. Any document or communication required or submitted by either Party to the other under this Agreement must be submitted in writing and, unless MCC agrees otherwise, in English, to such Party's Principal Representative, and, if applicable, to such Party's Additional Representative(s). For this purpose, the address of each Party is set forth below.

To the Government:

Ministry of Finance and Economic Development  
Attention: Minister of Finance and Economic Development  
MOFED Secretariat Building  
George Street  
Freetown, Sierra Leone  
Telephone: +232 22 222 211  
Email: info@mofed.gov.sl

To MCC:

Millennium Challenge Corporation  
Attention: Vice President, Department of Policy and Evaluation  
(with a copy to the Vice President and General Counsel)  
875 Fifteenth Street, NW  
Washington, DC 20005  
United States of America  
Facsimile: +1 (202) 521-3700  
Telephone: +1 (202) 521-3600  
Email: VPPolicyEvaluation@mcc.gov (Vice President, Department of Policy and  
Evaluation)  
VPGeneralCounsel@mcc.gov (Vice President and General Counsel)

Section 7.5 MCC Status. MCC is a United States government corporation acting on behalf of the United States Government in the implementation of this Agreement and the Program. MCC and the United States Government assume no liability for any claims or loss arising out of activities or omissions under this Agreement. The Government waives any and all claims against MCC or the United States Government or any current or former officer or employee of MCC or the United States Government for all loss, damage, injury, or death arising out of activities or omissions under this Agreement, and agrees that it will not bring any claim or legal proceeding of any kind against any of the above entities or persons for any such loss, damage, injury, or death. The Government agrees that MCC and the United States Government or any current or former officer or employee of MCC or the United States Government will be immune from the jurisdiction of all courts and tribunals of Sierra Leone for any claim or loss arising out of activities or omissions under this Agreement.

Section 7.6 No Assurance of Future Assistance. Nothing contained in this Agreement will be construed as creating an obligation on the part of MCC to provide any further funding or assistance, other than the Grant, in relation to any other project or program in Sierra Leone.

Section 7.7 Amendment.

(a) This Agreement may be amended by written agreement of the Parties. Such agreement will specify how it enters into force.

(b) Notwithstanding subsection (a) of this Section, the Parties agree that the Government and MCC may by written agreement which will enter into force upon signature (i) modify any Annex to this Agreement to, in particular, but without limitation, (1) suspend, terminate or modify any activity described in Annex I or create a new activity, (2) add, delete or waive any condition precedent described in Annex II, or (3) modify the designation or allocation of funds among the activities identified in Annex III; or (ii) extend the Completion Date; provided that, in each case, any such modification (A) is consistent in all material respects with the Program Objective and the Project Objectives, (B) does not cause the amount of the Grant to exceed the aggregate amount specified in Section 2.1(a), and (C) does not cause the Government's responsibilities or contribution of resources to be less than as specified in this Agreement. Any such modification pursuant to this subsection (b) will not be deemed an amendment of this Agreement pursuant to subsection (a).

Section 7.8 Survival. The Government's obligations under Sections 2.4, 2.5, 3.2, 4.6, 6.2, 6.3, 7.1, and this Section 7.8 will survive the expiration, suspension, or termination of this Agreement.

Section 7.9 Definitions; Interpretation.

(a) Except as otherwise expressly provided herein, capitalized terms used in this Agreement will have the respective meanings given to such terms in Annex IV.

(b) Any reference to the term "including" in this Agreement will be deemed to mean "including, without limitation," except as expressly provided otherwise. Unless the context requires otherwise: (i) each definition of or reference to any agreement, instrument, law, regulation, policy, guideline, or similar document in this Agreement (or any other agreement entered into in connection with this Agreement), unless otherwise expressly set forth herein, will be construed as a reference to such agreement, instrument, law, regulation, policy, guideline, or similar document as it may, from time to time, be amended, revised, replaced, or extended, and will include any agreement, instrument, law, regulation, policy, guideline, or similar document issued under or otherwise applicable or related to such agreement, instrument, law, regulation, policy, guideline, or similar document; (ii) the words "herein", "hereof" and "hereunder", and words of similar import, will be construed to refer to this Agreement in its entirety and not to any particular provision hereof; (iii) all references herein to Articles, Sections, and Annexes will be construed to refer to the Articles and Sections of, and Annexes to, this Agreement, all of which form an integral part of this Agreement; (iv) any reference to the phrases "Unless MCC agrees otherwise" or "Unless the Parties agree otherwise" in this Agreement will be deemed to be followed by "in writing", except as expressly provided otherwise; (v) any approval right granted to MCC herein will only be satisfied upon the prior written approval of MCC.

Section 7.10 References to MCC Website. Each reference in this Agreement, or any other agreement entered into in connection with this Agreement, to a document or information available on, or notified by posting on, the MCC Website will be deemed a reference to such document or information as updated or substituted on the MCC Website by MCC from time to time.

Section 7.11 Signatures. Signatures to this Agreement and to any amendment to this Agreement (and to any other legally binding international agreement related to this Agreement) will be original signatures appearing on the same page or in an exchange of letters or diplomatic notes. With respect to all other documents arising out of this Agreement and amendments thereto, signatures may be delivered by facsimile or electronic mail and in counterparts and will be binding on the Party delivering such signature to the same extent as an original signature would be.

Section 7.12 Grant Reference. In all notices, requests, reports or correspondence in connection with Grant funding, the following number should appear on any such document as the grant reference: TR15SLE16001.

**ARTICLE 8.**  
**ENTRY INTO FORCE**

The Government will notify MCC in writing when the Government's necessary internal procedures for entry into force have been completed. Following receipt of this notification, MCC will notify the Government in writing when MCC's necessary internal procedures for entry into force have been completed. The Agreement will enter into force on the date of MCC's written notification to the Government.

**SIGNATURE PAGE FOLLOWS ON NEXT PAGE.**

**IN WITNESS WHEREOF**, the undersigned, duly authorized by their respective Governments have signed this Agreement.

Done at Freetown, Sierra Leone, this 17th day of November, 2015 in the English language.

FOR THE UNITED STATES OF  
AMERICA, ACTING THROUGH THE  
MILLENNIUM CHALLENGE  
CORPORATION

FOR THE REPUBLIC OF SIERRA LEONE,  
ACTING THROUGH THE MINISTRY OF  
FINANCE AND ECONOMIC  
DEVELOPMENT

/s/

/s/

---

Name: Beth C. Tritter  
Title: Vice President, Department of Policy  
and Evaluation

---

Name: Dr. Kaifala Marah  
Title: Minister of Finance and Economic  
Development

## ANNEX I

### PROGRAM DESCRIPTION

Unless the Parties agree otherwise, the assistance provided under this Agreement will be utilized by the Government to support the following Program.

#### A. SUMMARY OF PROGRAM

The Program includes three Projects and their activities (each, an “*Activity*” and collectively, the “*Activities*”). Collectively, the projects seek to

- establish effective and independent regulation of the water and electricity sectors, including a framework for transparent tariff setting, and improve sector governance;
- strengthen commercial practices, operational independence, and planning capacity in sector institutions; and
- enhance transparency, accountability, and customer service through stakeholder engagement and the incorporation of new tools to fight corruption and petty bribery.

#### 1. Regulatory Strengthening Project

The objective of the Regulatory Strengthening Project is to support Government reforms to operationalize the Electricity and Water Regulatory Commission (“*EWRC*”) and build its core capacities to ensure transparency, support the long-term financial sustainability of the water and electricity sectors, and improve overarching sector governance.

##### (a) Activity 1.1. Electricity and Water Regulatory Commission Institutional Strengthening Activity.

This Activity will support the Government’s efforts to operationalize and build core capacities at EWRC. Specifically, this Activity will provide technical assistance to review recruitment plans and train staff, implement applicable business plans, and promulgate and implement essential regulations, such as licensing procedures, a grid code, and water and electricity technical and quality standards. The Activity will also assist EWRC to develop and implement a public engagement strategy, including outreach to unconnected and marginalized people.

Under EWRC’s leadership, this Activity will also support the development of a regulated tariff setting framework and process in each sector, including without limitation the preparation of rate-case requirements, conducting cost-of-service assessments, and the establishment of an automatic tariff adjustment policy.

To assess the performance of regulated utilities, the Activity will also support EWRC to identify and monitor key performance indicators. This will include relevant data generated by the “Pay No Bribe” reporting platform, which the Government will establish in cooperation with the United Kingdom’s Department for International Development. Upon completion, this platform will provide citizens with an open and transparent system through which to register reports of

corruption and petty bribery using mobile phones and other means. Monitoring by EWRC is expected to reinforce the development and implementation of accountability mechanisms at regulated utilities to reduce and resolve such reports and allegations.

It is anticipated that technical assistance under this Activity will include the development a 5-year budget for EWRC identifying total funding needs as well as sources of revenue (e.g., levies and licensing fees). The Government agrees to fund any shortfalls in EWRC funding requirements – either through its own budget or by securing alternative donor funding – for each fiscal year during the term of the Program.

(b) Activity 1.2. Performance-Based Regulation Activity.

This Activity is designed to strengthen EWRC’s role, incentivize performance by regulated utilities, and enhance accountability by providing conditional, performance-based disbursements to regulated utilities if they achieve increased performance outcomes on key performance indicators (“*KPIs*”). It is anticipated that this Activity would only commence 12-18 months prior to the Completion Date. The terms and conditions applicable to such performance-based disbursements under this Activity, including without limitation the frequency of EWRC performance assessments, third party verification requirements, specific KPI targets and the value of associated payments, and conditions on the utilization of such payments by regulated utilities, will be memorialized in an agreement, or similar instrument, as further described in Section 10 of Annex II.

## **2. Water Sector Reform Project**

The objective of the Water Sector Reform Project is to support Government efforts to (1) improve water sector coordination; (2) strengthen commercial practices, operational independence, and planning capacity at the Guma Valley Water Company; and (3) enhance transparency, accountability and customer service practices at the Guma Valley Water Company through improved community, consumer, and customer engagement, as well as the establishment and utilization of new accountability mechanisms at the Guma Valley Water Company.

(a) Activity 2.1. Water Sector Roadmap and Coordination Activity.

This Activity will support the Government’s ongoing efforts to reform the overarching institutional structure for the water sector and water resource management, both nationally and in greater Freetown. Specifically, Grant funding will provide technical assistance to support the development of an institutional roadmap for water sector to better delineate the roles and responsibilities of institutions in the sector, building on new and pending legislation and the Government’s National Water and Sanitation Policy. The Activity will also support the establishment of a water sector reform steering committee to institutionalize sector coordination and provide guidance on implementation of the broader Water Sector Reform Project.

(b) Activity 2.2. Guma Valley Water Company Institutional Strengthening Activity.

This Activity will strengthen the Guma Valley Water Company's capacity to perform core business functions and comply with emerging regulatory requirements developed under the Regulatory Strengthening Project. The Program will support:

- system-wide mapping, system condition assessments, customer mapping, and hydraulic modeling, all of which are needed to improve the Guma Valley Water Company's understanding of water system performance and enable proper planning;
- technical assistance to improve utility operations, including technical, financial, and commercial management, service quality, investment planning, procurement, contract management, corporate governance, and environmental sustainability;
- development of a strategy to reduce losses due to leaks, illegal or mischaracterized connections, theft, and other commercial losses (so-called non-revenue water), to be implemented and tested within the district metering area (see below);
- standing up the Guma Valley Water Company's pro-poor unit, and development of a strategy to improve, and build capacity for, service delivery to low-income consumers; and
- community and consumer outreach, including publication of service charters and consumer education on the need to pay for water.

This Activity will also leverage the Pay No Bribe platform by assisting the Guma Valley Water Company to respond to reports of corruption and to incentivize improved staff performance. This may include investigations of allegations, audits of implicated accounts, establishment of reduction targets with associated recognition, and/or development of administrative sanctions.

(c) Activity 2.3. District Metering Area and Standpipe Demonstration Activity.

This Activity will leverage the technical assistance provided under the Guma Valley Water Company Institutional Strengthening Activity by identifying and establishing a controlled district metering area, within which the Guma Valley Water Company can implement and test its improved business practices and operationalize a non-revenue water strategy. The Guma Valley Water Company expects to measure water flows in and out of the district metering area, assess the scope of physical and commercial losses, and implement a plan to reduce non-revenue water including control of illegal or mischaracterized connections within the district metering area. This will enable the Guma Valley Water Company to improve service reliability within the district metering area and collaborate closely with stakeholders to determine which strategies are most effective to reduce water losses.

In addition to establishing the district metering area, a key component of this activity will be the piloting of a public-private partnership model for the operation and management of public standpipes. These standpipes, which provide water for a substantial portion of Guma Valley Water Company's customer base, and from which little revenue is collected by the Guma Valley Water Company, provide unreliable service and often contaminated water to low-income users. Under the pilot, up to ten existing standpipes within the district metering area will be rehabilitated

and transformed into water kiosks. Kiosks will be operated and managed by private operators (ideally local entrepreneurs) selected through an open and transparent concession process. Kiosk operators will have contracts with the Guma Valley Water Company to pay for water and the Guma Valley Water Company will monitor the operators' performance. It is also anticipated that water kiosks will provide sanitation and hygiene, health, and other community services. This Activity will also support a participatory study to better understand community concerns about water service delivery in pilot areas and their level of engagement (including the participation of women and marginalized groups) with key stakeholders. The study will also look into aspects of gender-based violence while fetching water, and interventions will be identified and implemented in pilot areas.

### **3. Electricity Sector Reform Project**

The objective of the Electricity Reform Project is to support Government efforts to (1) operationalize the emerging institutional framework and market structure in Sierra Leone's electricity sector and enhance the capacity of sector institutions to fulfill their mandates in the reformed power sector; (2) improve integrated planning and other technical capacities; and (3) strengthen operational efficiency and corporate governance at targeted electricity sector institutions, particularly the Electricity Generation and Transmission Company.

#### **(a) Activity 3.1. Electricity Sector Roadmap and Coordination Activity.**

This Activity will support the Government to operationalize the electricity market restructuring that began in 2014 with the unbundling of the National Power Authority and the creation of EWRC. Specifically, the Activity will convene a steering committee tasked with developing a roadmap for electricity sector reform. The roadmap will clarify the roles and responsibilities of various sector institutions in the new power sector framework, including the Electricity Distribution and Supply Authority, the Electricity Generation and Transmission Company, EWRC, the Ministry of Energy, and potentially other entities. Importantly, this Activity will establish and facilitate a forum to encourage improved coordination around key sector priorities, including increasing generation capacity, establishing a viable financial strategy for the sector, and planning for system growth.

Building on the roadmap and with guidance from the steering committee, this Activity will also support development of a Government policy for future financial contributions to the power sector, including studies required to provide related analysis. The policy will recognize a continued but diminishing role for government financing in conjunction with greater expectations for utility performance and the ability to become self-financing. The policy will also outline the Government's commitment to an independent and transparent tariff review process, while providing an opportunity for Government input regarding the timeline for transition to cost-reflective tariffs. The policy will draw on a willingness-to-pay and subsidy policy study to establish a policy for vulnerable consumer groups for EWRC to consider as it develops its tariff-setting processes. In addition, this Activity will support the development of a framework for procuring new power generation through a transparent and competitive process.

(b) Activity 3.2. Institutional Strengthening Activity.

This Activity will strengthen the capacity of key sector institutions to develop system plans, improve integrated system planning and interface with EWRC and comply with regulatory requirements. Grant funding will support the development of actionable, foundational sector studies, such as an industrial load assessment and an integrated investment master plan. If an integrated master plan and framework for soliciting independent power producers is adopted, conditional funding may also be available under this activity for project preparatory studies required to identify and prepare a viable independent power producer transaction to bring to market.

Grant funding will also support the development of a strategic business plan and technical assistance for the Electricity Generation and Transmission Company, in each case corresponding to the role defined for it in the sector roadmap. Technical assistance to the Electricity Generation and Transmission Company will support implementation of the business plan and development of core capacities, including transmission operations and planning, and overall operations and maintenance. Technical assistance will also strengthen corporate governance and support the Electricity Generation and Transmission Company's Board of Directors in the execution of its duties.

In addition, the Activity will support targeted technical assistance for the Electricity Distribution and Supply Authority in coordination with the Government and other development partners. Interventions may include (but are not limited to) a consumer census, geographic information system mapping and training for the Board of Directors to strengthen corporate governance practices and support successful oversight of the management contractor to be recruited with support from the World Bank to manage operations at the Electricity Distribution and Supply Authority.

#### **4. Mid-Term Review**

The Parties hereby agree to jointly conduct a comprehensive mid-term performance review at the completion of the second year after entry into force of this Agreement. Based on quantifiable performance indicators included in the M&E Plan developed pursuant to Section C below, the Parties will assess the progress of the Program and each Project. Based on this mid-term review, the Parties may agree to modify the Program, or any Project or Activity, in each case in accordance with Section 7.7(b).

### **B. IMPLEMENTATION ARRANGEMENTS**

The Program will be implemented through an Accountable Entity (with MCC oversight). The roles and responsibilities of the various entities involved in implementation are set forth below.

#### **1. MCC.**

MCC will take all appropriate actions to carry out its responsibilities in connection with this Agreement and the Program, including, without limitation, exercise of its approval rights. MCC oversight of the Program is expected to include an MCC country director based in Freetown and

an implementation support team from MCC headquarters, as well as MCC-managed consultants, who will work in Sierra Leone from time to time as necessary to perform their duties. MCC expects that the MCC-managed consultants will include individuals with expertise in fiscal management and accountability of MCC funding (the “*Fiscal Accountability Consultant*”) and in the procurement of goods, works and services using MCC funding under the MCC Program Procurement Guidelines (the “*Procurement Consultant*”). It is expected that the Fiscal Accountability Consultant and Procurement Consultant, respectively, will perform all services necessary to assist the Government to ensure that: (1) all financial management activities related to the Program are conducted in strict compliance with the principles, rules, and procedures set out in this Agreement and related MCC policies, procedures, or guidance, and (2) all Program-related procurements are conducted in strict compliance with the principles, rules, and procedures set out in this Agreement, the MCC Program Procurement Guidelines, and related MCC policies.

## **2. The Government and the Accountable Entity.**

The Government will take all appropriate actions to carry out its responsibilities in connection with this Agreement and the Program. To do so, the Government has established and designated the Accountable Entity pursuant to Section 3.2(b) to implement the Program and to exercise and perform the Government’s right and obligation to oversee, manage and implement the Program, including without limitation, managing the implementation of the Projects, allocating resources and managing procurements. Specifically, by its establishment pursuant to this Agreement, the Accountable Entity will have operational and legal independence, including, *inter alia*, the ability to (1) enter into contracts in its own name; (2) sue and be sued; (3) establish a bank account in its own name; (4) expend Grant funding; and (5) engage contractors, consultants and/or grantees.

The internal operations of the Accountable Entity will be governed by the terms and conditions of this Agreement, any related MCC policies and the Governing Documents, which will include bylaws providing further details on the Accountable Entity’s internal operations. The bylaws must be in form and substance acceptable to MCC.

The governance structure of the Accountable Entity will include a board of directors (the “*Board*”) that will have ultimate responsibility for the oversight, direction, and decisions of the Accountable Entity, as well as the overall implementation of the Program. It is comprised of seven voting members. The Board includes the following representatives:

- (a) Chief of Staff of the Office of the Presidency, who will serve as the chair of the Board;
- (b) Minister of Energy;
- (c) Minister of Water Resources;
- (d) Minister of Finance and Economic Development; and
- (e) Three non-Government representatives (*e.g.*, representatives from the private sector, civil society, and consumer groups).

The members of the Board may be represented by alternates appointed pursuant to the Governing Documents. The non-Government representatives will be selected through an open and transparent process in form and substance acceptable to MCC, at the conclusion of which the President of Sierra Leone will formally nominate such members for approval by Sierra Leone's parliament. Other non-voting members may be included as named in the Governing Documents. In addition, MCC's resident country director in Sierra Leone will serve as a non-voting observer of the Board.

The Government will conduct an open and competitive recruitment for Program-funded positions within the Accountable Entity. The Government will contribute funds for office space, utilities, generators and related fuel, and the Accountable Entity will be supported by Government staff as needed.

In addition, the Grant will support compensation for the following positions (each an "*Officer*" and collectively, "*Officers*") at the Accountable Entity:

- Chief Executive Officer
- Chief Operating Officer
- Electricity Sector Director
- Water Sector Director
- Social and Community Development Director
- Monitoring and Evaluation and Economic Analysis Director
- Procurement and Finance Director

The Officers will be supported by such additional staff as may be necessary, including as needed additional Officers, and in each case with MCC approval and subject to availability of Grant funds. At a minimum, this additional staff will include the following positions:

- Press and Communications Officer
- At least two Procurement and Finance Officers
- Resettlement Expert

The Government will ensure that Government ministries, departments, agencies and entities cooperate with the Accountable Entity in the implementation of the Program. As needed, the Accountable Entity and such other Government ministries, departments, agencies and entities will enter into appropriate agreements to memorialize such cooperation and to assure the sustainability and maintenance of any Program Assets.

As needed, the Accountable Entity will enter into contracts, grants, cooperative agreements or any other, similar arrangements with providers of goods and services in order to carry out the Program.

The Government will coordinate and cooperate on a day-to-day basis with any MCC-managed consultants, including without limitation the Fiscal Accountability Consultant and the Procurement Consultant, to assure achievement of the Program Objective. This includes coordination and cooperation with the Fiscal Accountability Consultant and the Procurement Consultant to accomplish the Government's fiscal- and procurement-related responsibilities

under the Agreement, including but not limited to: (1) compliance with the MCC Program Procurement Guidelines and development and implementation of a procurement operations manual for the Accountable Entity; (2) the development and implementation of the Fiscal Accountability Plan and compliance with the MCC Cost Principles and MCC Audit Guidelines; (3) preparation and implementation of procurement plans and related procurement reporting requirements; (4) preparation of Disbursement Requests, the Detailed Financial Plans and related financial reporting requirements; and (5) the administration of contracts financed under this Agreement.

As agreed from time to time in writing with MCC, the Government will make available to the Fiscal Accountability Consultant and Procurement Consultant, respectively, information and documents relating to the Government's fiscal accountability and procurement activities under this Agreement. In addition, the Government will make office space available and provide such other in-kind support as required by the Fiscal Accountability Consultant and Procurement Consultant, or any other MCC-managed consultants, in the performance of their duties.

In addition, in carrying out its obligations pursuant to Section 4.5, the Accountable Entity will develop an environmental and social management system ("*ESMS*") to ensure that the Projects and Activities comply with the MCC Environmental Guidelines including the IFC Performance Standards, as well as with all national environmental laws and regulations, licenses and permits, except to the extent such compliance would be inconsistent with the Program and applicable MCC policies. Specifically, the Accountable Entity will: (a) cooperate with or complete, as the case may be, specifically for the Water Sector Reform Project, a resettlement policy framework ("*RPF*"), together with any ongoing environmental and social impact assessments, and if necessary, undertake and complete any additional environmental and social assessments and analyses, such as environmental and social management plans, environmental and social audits, and resettlement action plans ("*RAPs*") required under the laws of Sierra Leone, the MCC Environmental Guidelines, or this Agreement, or as otherwise required by MCC, each in form and substance satisfactory to MCC; (b) ensure that environmental and social management plans are developed for Activity 2.3 District Metering Area and Standpipe Demonstration Activity and all relevant measures contained in such plans are integrated into project design, the applicable procurement documents and associated finalized contracts, in each case, in form and substance satisfactory to MCC; and (c) implement to MCC's satisfaction appropriate environmental and social mitigation measures identified in such assessments or plans or developed to address environmental and social issues identified during Program implementation.

## **C. MONITORING AND EVALUATION**

### **1. General.**

In accordance with this Agreement, MCC and the Government will formulate and agree to, and the Government will adopt and implement, an M&E Plan that specifies: (1) how progress toward the Program Goal, the Program Objective and the Project Objectives will be monitored ("*Monitoring Component*"); (2) a process and timeline for the monitoring of planned, ongoing or completed Activities to determine their efficiency and effectiveness; and (3) a methodology for assessment and rigorous evaluation of the outcomes and impact of the Program ("*Evaluation Component*"). The actual content and form of the M&E Plan will be agreed to by MCC and the

Government in accordance with MCC's M&E Policy. In addition, the M&E Plan may be modified from time to time as outlined in MCC's M&E Policy with MCC approval and without requiring an amendment to this Agreement. Information regarding the Program's performance, including the M&E Plan, and any amendments or modifications thereto, as well as progress and other reports, will be made publicly available.

The M&E Plan will be finalized within six months of the beginning of implementation, after Activity-level work plans have been developed and adopted. In any case, the M&E Plan must be finalized prior to the third Disbursement of the Grant.

## **2. Program Logic.**

The M&E plan will be built on a logic model which illustrates how the Program, Projects and Activities contribute to the Program Goal, the Program Objective and the Project objectives.

## **3. Monitoring Component.**

The Government will be responsible for developing the M&E Plan, with support from MCC and, in most cases, the relevant implementing agencies or partners. To monitor progress toward the achievement of the impact and outcomes of the Program, the Monitoring Component of the M&E Plan will identify: (1) the Indicators (as defined below), (2) the definitions of the Indicators, (3) the sources and methods for data collection, (4) the frequency for data collection, (5) the party or parties responsible for collecting and analyzing relevant data, and (6) the timeline for reporting on each Indicator to MCC.

### **(a) Indicators.**

The M&E Plan will measure the results of the Program using quantitative, objective and reliable data (each, an "***Indicator***"). Each Indicator will have benchmarks that specify the expected value and the expected time by which that result will be achieved (each, a "***Target***"). All Indicators will be disaggregated by gender and beneficiary types to the extent practicable. Subject to prior written approval from MCC, the Government may add Indicators or refine the definitions and Targets of existing Indicators. Indicators that will be used for monitoring the Program and that will be included in the M&E Plan are set forth in Schedule A to this Annex I.

The M&E Plan will also establish baselines that measure the situation prior to a development intervention, against which progress can be assessed or comparisons made (each, a "***Baseline***"). The Government will collect Baselines on the selected Indicators or verify already collected Baselines where applicable and as set forth in the M&E Plan.

### **(b) Data Collection and Reporting.**

The M&E Plan will establish guidelines for data collection and reporting, and identify the responsible parties. Compliance with data collection and reporting timelines will be conditions for Disbursements for the relevant Activities. The M&E Plan will specify the data collection methodologies, procedures and analysis required for reporting on results at all levels. The M&E Plan will describe any interim MCC approvals for data collection, analysis, and reporting plans.

(c) Data Quality Reviews.

As determined in the M&E Plan, or as otherwise requested by MCC, the quality of the data gathered through the M&E Plan will be reviewed to ensure that data reported are as valid, reliable, and timely as resources will allow. The objective of any data quality review will be to verify the quality and the consistency of performance data across different implementation units and reporting institutions. Such data quality reviews also will serve to identify where those levels of quality are not possible, given the realities of data collection.

**4. Evaluation Component.**

The Evaluation Component of the M&E Plan will describe the purpose of the evaluation, methodology, timeline, required MCC approvals, and the process for collection and analysis of data for each evaluation. The results of all evaluations will be made publicly available in accordance with MCC's M&E Policy.

MCC will commission independent evaluations of the Program to examine the effectiveness and sustainability of the Projects. The evaluation section of the M&E Plan will outline key evaluation questions, and will focus its efforts on understanding the extent to which:

- Activities were undertaken and fully implemented;
- Activities led to outcomes;
- The likelihood that outcomes will be sustained over the short- and long-term; and
- Cost effectiveness of the program activities, where feasible.

## SCHEDULE A TO ANNEX I

### INDICATORS

Indicators that will be used for monitoring the Program and that will be included in the M&E Plan are set forth below:

<b>Table 1.1: Regulatory Strengthening Project</b>					
Indicator Level	Indicator	Definition	Unit	Baseline	End of Threshold Target
<b>EWRC Institutional Strengthening Activity</b>					
Output	EWRC 5-year budget approved	5-year budget developed for EWRC, including proposed sources of funding, with support from contractor	Date	Not applicable (“NA”)	To be determined (“TBD”)
Output	Outreach events held with electricity sector stakeholders	Number of outreach events organized and held by EWRC with electricity sector stakeholders, including consumers	Number	TBD	TBD
Output	Outreach events held with water sector stakeholders	Number of outreach events organized and held by EWRC with water sector stakeholders, including consumers	Number	TBD	TBD
Output	Rate-case requirements developed and issued to regulated entities	Rate-case requirements for tariff application/review process developed by EWRC and issued to regulated entities (i.e. EDSA, EGTC, GVWC)	Date	NA	TBD
Output	Automatic tariff indexation process developed (electricity sector)	Automatic tariff indexation process developed by electricity sector stakeholders	Date	NA	TBD
Outcome	Existing utilities licensed	EDSA/EGTC and GVWC licensed according to EWRC licensing requirements	Date	NA	TBD
Outcome	Tariff applications submitted by EDSA and GVWC	EDSA and GVWC tariff applications submitted to EWRC according to roadmap timeline	Date	NA	TBD
Outcome	Updated tariff approved for	Updated tariff approved by EWRC for electricity and water sectors	Date	NA	TBD

<b>Table 1.1: Regulatory Strengthening Project</b>					
<b>Indicator Level</b>	<b>Indicator</b>	<b>Definition</b>	<b>Unit</b>	<b>Baseline</b>	<b>End of Threshold Target</b>
	electricity and water sectors				
Outcome	Automatic tariff indexation process implemented on as needed basis (electricity sector)	Ratio of actual average tariff charged to approved average tariff	Percentage	TBD	TBD
Outcome	KPIs and reporting requirements for EDSA, EGTC and/or GVWC established	KPIs and reporting requirements for EDSA, EGTC and/or GVWC established by EWRC	Date	NA	TBD
Outcome	EDSA, EGTC and/or GVWC reporting submitted according to reporting requirements	EDSA, EGTC and/or GVWC reporting submitted to EWRC according to reporting requirements	Date	NA	TBD

<b>Table 1.2: Water Sector Reform Project</b>					
<b>Indicator Level</b>	<b>Indicator</b>	<b>Definition</b>	<b>Unit</b>	<b>Baseline</b>	<b>End of Threshold Target</b>
<b>Water Sector Roadmap and Coordination Activity</b>					
Output	Sector Roadmap approved	Sector Roadmap approved by Sector Steering Committee members and sponsors	Date	NA	TBD
<b>GVWC Institutional Strengthening Activity</b>					
Output	Mapping of water system and customer base completed	Mapping of water system and customer base completed by contractor	Date	NA	TBD
Output	Condition assessment of water distribution system completed	Condition assessment of water distribution system completed by contractor	Date	NA	TBD
Output	Hydraulic modeling completed	Hydraulic modeling completed by contractor	Date	NA	TBD

<b>Table 1.2: Water Sector Reform Project</b>					
<b>Indicator Level</b>	<b>Indicator</b>	<b>Definition</b>	<b>Unit</b>	<b>Baseline</b>	<b>End of Threshold Target</b>
Output	Cost-of-service study completed	Cost-of-service study completed by contractor	Date	NA	TBD
Output	Number of consumer education initiatives conducted	Number of consumer education and marketing campaigns conducted by GVWC	Number	TBD	TBD
Outcome	Total number of registered customers	Total number of registered GVWC customers	Number	TBD	TBD
Outcome	Average collection period	Receivables divided by credit sales times 360 days	Days	TBD	TBD
Outcome	Operating cost coverage	Total annual operational revenues divided by total annual operating costs. (International Benchmarking Network for Water and Sanitation Utilities Indicator 24.1) (Calculation: $OPC = R/C$ where $OPC$ = Operation Cost Coverage, $R$ = Total Annual Operational Revenue and $C$ = Total Annual Operational Cost (including maintenance))	Ratio	TBD	TBD
<b>District Metering Area and Standpipe Demonstration Activity</b>					
<b>Note: These indicators will be tracked only within the District Metering Area.</b>					
Output	District metering area established	District metering area established through a process of negotiation and consensus-building with relevant stakeholders	Date	NA	TBD
Output	Number of standpipe entrepreneurs selected	Number of standpipe entrepreneurs selected to operate water kiosks	Number	NA	TBD
Outcome	Non-revenue water	The difference between water supplied and water sold ( <i>i.e.</i> volume of water “lost”) expressed as a percentage of water supplied	Percentage	TBD	TBD
Outcome	Continuity of service, disaggregated by private	Average hours of service per day for water supply, measured for private	Hours/Day	TBD	TBD

<b>Table 1.2: Water Sector Reform Project</b>					
<b>Indicator Level</b>	<b>Indicator</b>	<b>Definition</b>	<b>Unit</b>	<b>Baseline</b>	<b>End of Threshold Target</b>
	connections and standpipes	connections and standpipes separately			
Outcome	Time spent fetching water from home in last week	Time spent gathering water, based on household water gathering activities performed during a one-week period (one day recall). Time spent gathering water includes time spent getting to the closest water point, time queuing to wait for one's turn, time queuing to wait for water supply, time drawing/collecting water and time spent returning from the closest water point	Hours/Week	TBD	TBD
Outcome	Treatment of drinking water at point-of-use	Percentage of standpipe customers reporting treatment of drinking water at point-of-use	Percentage	TBD	TBD
Outcome	Payments made from standpipe entrepreneurs to GVWC	Average payment made by standpipe entrepreneurs to GVWC per month	U.S. Dollars	NA	TBD

<b>Table 1.3: Electricity Sector Reform Project</b>					
<b>Indicator Level</b>	<b>Indicator</b>	<b>Definition</b>	<b>Unit</b>	<b>Baseline</b>	<b>End of Threshold Target</b>
<b>Electricity Sector Roadmap and Coordination Activity</b>					
Output	Sector Roadmap approved	Sector Roadmap approved by Sector Steering Committee members and sponsors	Date	NA	TBD
Output	Steering Committee quarterly meetings conducted	Sector Steering Committee meets on quarterly basis to assess sector reform process	Date	NA	TBD
Output	Analysis of willingness and ability to pay completed	Analysis of willingness and ability to pay completed by contractor	Date	NA	TBD
Output	Analysis of Government financial support	Analysis of current Government financial support to the electricity	Date	NA	TBD

**Table 1.3: Electricity Sector Reform Project**

Indicator Level	Indicator	Definition	Unit	Baseline	End of Threshold Target
	to sector completed	sector conducted, packaged into a report, and submitted to Government			
Output	Policy on Government financial support to sector issued	Policy on reducing transfers to the electricity sector over time issued by Government	Date	NA	TBD
<b>Institutional Strengthening Activity</b>					
Output	EGTC business plan approved	EGTC business plan approved by EGTC Board and Sector Steering Committee	Date	NA	TBD
Output	Consumer census completed	Consumer census completed by contractor	Date	NA	TBD
Output	Load forecast study completed	Load forecast study completed by contractor	Date	NA	TBD
Outcome	Operating cost-recovery ration*	Total revenue collected / total operating cost. Total operating cost is defined as operating expenses plus depreciation.	Percentage	TBD	TBD
Outcome	Quantity of electricity delivered to EDSA*	MWh of electricity delivered to EDSA, measured on a quarterly basis based on meter readings at Kingtom and Blackhall plants	Number	TBD	TBD
Outcome	Revenue from energy sales*	Revenues earned by EGTC from energy sales to EDSA	U.S. Dollars	TBD	TBD
Outcome	Power sector investment plan completed	Power sector investment plan completed	Date	NA	TBD

\*: Whether or not these performance indicators are tracked throughout the Program depends on recommendations that come out of the strategic plan for EGTC, which the Program will help to develop.

**ANNEX II**  
**CONDITIONS PRECEDENT TO DISBURSEMENTS**

Applicable to the Program:

1. Prior to the second Disbursement, the Government must have developed and adopted a Work Plan pursuant to Section 4.1(c), in form and substance acceptable to MCC.
2. Prior to the second Disbursement, MCCU will have developed and approved a comprehensive Program-wide ESMS
3. Prior to the third Disbursement, the Government must have developed and adopted an M&E Plan pursuant to Section 4.2, in form and substance acceptable to MCC.
4. Prior to the third Disbursement, MCCU will have developed and approved an RPF.
5. Prior to the initial Disbursement that includes any payment for physical works under a given Project or Activity, as determined by MCC, MCCU must have submitted to MCC evidence in form and substance satisfactory to MCC that:
  - (a) MCCU has developed an Environmental and Social Impact Assessment (“*ESIA*”); an Environmental and Social Management Plan (“*ESMP*”); and/or a RAP (in each case as appropriate), and/or the relevant Government entity has enacted any necessary national legal provisions necessary for timely implementation of property takings required by such RAP, each of which must be in form and substance satisfactory to MCC in accordance with the MCC Environmental Guidelines and IFC Performance Standards; and
  - (b) MCCU or the appropriate Government entity is implementing the requirements of each ESMS, ESIA, ESMP, Health and Safety Management Plan (“*HSMP*”) or RAP, as appropriate, in all material respects and consistent with the MCC Environmental Guidelines (including the IFC Performance Standards that are incorporated by reference therein).

Applicable to the Regulatory Strengthening Project:

6. Prior to the second Disbursement, and any subsequent Disbursement that includes funding for the Regulatory Strengthening Project, the Government must have allocated adequate funding for EWRC in its then-current annual national budget.
7. Prior to the fourth Disbursement, and any subsequent Disbursement that includes funding for the Regulatory Strengthening Project, the Government must have transferred, or otherwise made available, to EWRC its allocation for the quarter ending 90 days prior to the applicable Disbursement Period, each as evidenced to MCC’s satisfaction.

8. Prior to the initial Disbursement that includes any payment for technical assistance under the Regulatory Strengthening Project, EWRC will have selected and engaged qualified staff acceptable to MCC for the following positions: (a) Director General, (b) Head – Engineering, Water, (c) Head – Engineering, Energy, (d) Head – Finance and Administration, (e) Head – Legal and Consumer Services, and (f) Head – Economic Regulation.
9. Prior to each subsequent Disbursement that includes payment for technical assistance under the Regulatory Strengthening Project, each position noted in Condition Precedent #8 above must remain filled, or if a position is vacant, the Government and EWRC are actively engaged, to MCC’s satisfaction, in recruiting a replacement
10. Prior to any Disbursement that includes funding for payments to utilities regulated by EWRC under the Performance-Based Regulation Activity, the Government will have delivered to MCC one or more executed agreements or similar instruments, in form and substance acceptable to MCC, pursuant to which such payments will be made. Each such agreement or similar instrument must set forth: (a) the key performance indicators and targets against which payments will be made to regulated utilities for achieving the targets and (b) the amounts of payments to be made to the utilities for each applicable target. Each such agreement or similar instrument must be executed in advance of performance for which payment will be made and must take into account a reasonable estimate of the costs and benefits of achieving the targets.

Applicable to the Water Sector Reform Project:

11. Prior to the initial Disbursement for technical assistance under the Guma Valley Water Company Institutional Strengthening Activity, the Government will have enacted legislation acceptable to MCC reflecting the principles identified in the currently pending water resources bill, Guma Valley Water Company bill and related pending bills, including without limitation the Government’s commitment to commercially-oriented water service delivery and a strengthened institutional framework for water delivery, independent water sector regulation, and a framework for water resource management.
12. Prior to the initial Disbursement for the District Metering Area and Standpipe Demonstration Activity, the Guma Valley Water Company will have established and operationalized a pro-poor unit, or an equivalent designated unit or group of staff, in each case satisfactory to MCC.

**ANNEX III**  
**ALLOCATION OF GRANT FUNDING**

<b>Program Budget</b>	
<b>Regulatory Strengthening Project</b>	<b>\$11,275,000</b>
1. Electricity and Water Regulatory Commission Institutional Strengthening Activity	\$5,775,000
2. Performance-Based Regulation Activity	\$5,500,000
<b>Water Sector Reform Project</b>	<b>\$16,000,000</b>
1. Water Sector Roadmap and Coordination Activity	\$900,000
2. Guma Valley Water Company Institutional Strengthening Activity	\$10,100,000
3. District Metering Area and Standpipe Demonstration Activity	\$5,000,000
<b>Electricity Sector Reform Project</b>	<b>\$11,910,000</b>
1. Electricity Sector Roadmap and Coordination Activity	\$2,910,000
2. Institutional Strengthening Activity	\$9,000,000
<b>Program Administration</b>	<b>\$3,550,000</b>
<b>Monitoring and Evaluation</b>	<b>\$1,665,000</b>
<b>Program Total</b>	<b>\$44,400,000</b>

## ANNEX IV

### DEFINITIONS

The following compendium of capitalized terms that are used herein is provided for the convenience of the reader. To the extent that there is a conflict or inconsistency between the definitions in this Annex IV and the definitions elsewhere in the text of this Agreement, the definition elsewhere in this Agreement will prevail over the definition in this Annex IV.

***Accountable Entity** has the meaning given to that term in Section 3.2(b).*

***Activity or Activities** has the meaning given to that term in Section A of Annex I.*

***Additional Representative** has the meaning given to that term in Section 7.3.*

***Agreement** has the meaning given to that term in the preamble to this Agreement.*

***Audit Plan** has the meaning given to that term in Section 4.1(d).*

***Auditor** has the meaning given to that term in Section 4.1(d).*

***Bank** has the meaning given to that term in Section 5.1(c)(i).*

***Bank Agreement** has the meaning given to that term in Section 5.1(c)(i).*

***Baseline** has the meaning given to that term in Section C.3(a) of Annex I.*

***Board** has the meaning given to that term in Section B.2 of Annex I.*

***Common Payment System** has the meaning given to that term in Section 5.1(b)(iii).*

***Completion Date** has the meaning given to the term in Section 6.1.*

***Covered Provider** has the meaning given to that term in the MCC Audit Guidelines.*

***Detailed Financial Plan** has the meaning given to that term in Section 4.1(a).*

***Disbursement** has the meaning given to that term in Section 2.1(b).*

***Disbursement Period** has the meaning given to that term in Section 5.1(a).*

***Disbursement Request** has the meaning given to that term in Section 5.1(a).*

***District Metering Area and Standpipe Demonstration Activity** has the meaning given to the term in Section A.2(c) of Annex I.*

***EDSA** means the Electricity Distribution and Supply Authority.*

*EGTC means the Electricity Generation and Transmission Company.*

*Electricity and Water Regulatory Commission Institutional Strengthening Activity has the meaning given to the term in Section A.1(a) of Annex I.*

*Electricity Sector Reform Project has the meaning given to the term in Section A.3 of Annex I.*

*Electricity Sector Roadmap and Coordination Activity has the meaning given to the term in Section A.3(a) of Annex I.*

*ESIA has the meaning given to the term in Section 5(a) of Annex II.*

*ESMP has the meaning given to the term in Section 5(a) of Annex II.*

*ESMS has the meaning given to the term in Section B.2 of Annex I.*

*Evaluation Component has the meaning given to that term in Section C.1 of Annex I.*

*EWRC has the meaning given to the term in Section A.1 of Annex I.*

*Fiscal Accountability Consultant has the meaning given to the term in Section B.1 of Annex I.*

*Fiscal Accountability Plan has the meaning given to that term in Section 4.4.*

*Governing Document has the meaning given to that term in Section 4.9(g).*

*Government has the meaning given to that term in the preamble to this Agreement.*

*Grant has the meaning given to that term in Section 2.1(a).*

*Guma Valley Water Company Institutional Strengthening Activity has the meaning given to the term in Section A.2(b) of Annex I.*

*GVWC means the Guma Valley Water Company.*

*HSMP has the meaning given to the term in Section 5(b) of Annex II.*

*IFC Performance Standards has the meaning given to the term in Section 4.5(a).*

*Implementation Letter has the meaning given to that term in Section 4.10.*

*Implementation Plan has the meaning given to that term in Section 4.1.*

*Implementation Plan Document has the meaning given to that term in Section 4.1.*

*Indicator has the meaning given to that term in Section C.3(a) of Annex I.*

*Inspector General has the meaning given to that term in Section 4.7(c).*

***Institutional Strengthening Activity*** has the meaning given to the term in Section A.3(b) of Annex I.

***Intellectual Property*** means all registered and unregistered trademarks, service marks, logos, names, trade names and all other trademark rights; all registered and unregistered copyrights; all patents, inventions, shop rights, know how, trade secrets, designs, drawings, art work, plans, prints, manuals, computer files, computer software, hard copy files, catalogues, specifications, and other proprietary technology and similar information; and all registrations for, and applications for registration of, any of the foregoing, that are financed, in whole or in part, using the Grant.

***KPI*** has the meaning given to that term in Section A.1(b) of Annex I.

***Lien*** has the meaning given to that term in Section 3.2(g).

***Local Account*** has the meaning given to that term in Section 5.1(c)(i).

***M&E Plan*** has the meaning given to that term in Section 4.2.

***M&E Policy*** has the meaning given to that term in Section 4.2.

***Material Agreement*** has the meaning given to that term in Section 4.9(c).

***MCC*** has the meaning given to that term in the preamble to this Agreement.

***MCC Audit Guidelines*** has the meaning given to that term in Section 4.8(a).

***MCC Cost Principles*** has the meaning given to that term in Section 4.4.

***MCC Environmental Guidelines*** has the meaning given to that term in Section 2.4(b)(iii).

***MCC Gender Integration Guidelines*** means MCC's Gender Integration Guidelines, as such may be posted on MCC's Website from time to time.

***MCC Gender Policy*** means the MCC Gender Policy (including any guidance documents issued in connection with the guidelines) posted from time to time on the MCC Website or otherwise made available to the Government.

***MCC Governance Guidelines*** has the meaning given to that term in Section 3.2(b).

***MCC Marking Standards*** has the meaning given to that term in Section 3.2(k).

***MCC Program Procurement Guidelines*** has the meaning given to that term in Section 4.3(a).

***MCC Reporting Guidelines*** has the meaning given to that term in Section 4.6(a).

***MCC Website*** has the meaning given to that term in Section 2.4(b)(iii).

***MCCU*** has the meaning given to that term in Section 3.2(b).

**Monitoring Component** has the meaning given to that term in Section C.1 of Annex I.

**NA** has the meaning given to the term in Table 1.1 of Schedule A to Annex I.

**Officer** or **Officers** has the meaning given to that term in Section B.2 of Annex I.

**Party** or **Parties** has the meaning given to that term in the preamble to this Agreement.

**Performance-Based Regulation Activity** has the meaning given to the term in Section A.1(b) of Annex I.

**Permitted Account** has the meaning given to that term in Section 5.1(c)(i).

**Principal Representative** has the meaning given to that term in Section 7.3.

**Procurement Consultant** has the meaning given to the term in Section B.1 of Annex I.

**Procurement Plan** has the meaning given to that term in Section 4.1(b).

**Program** has the meaning given to that term in the recitals to this Agreement.

**Program Asset** means any assets, goods or property (real, tangible or intangible) purchased or financed in whole or in part (directly or indirectly) by the Grant, including any Intellectual Property.

**Program Goal** has the meaning given to that term in Section 1.1.

**Program Grant** has the meaning given to that term in Section 4.3(b).

**Program Guidelines** means collectively the MCC Audit Guidelines, the MCC Cost Principles, the MCC Environmental Guidelines, the MCC Gender Policy, the MCC Gender Integration Guidelines and Operational Procedures, the MCC Governance Guidelines, the MCC Marking Standards, the MCC Program Procurement Guidelines, the MCC Reporting Guidelines, the M&E Policy, (including any successor to any of the foregoing) and any other guidelines, policies or guidance papers relating to the administration of a Threshold Program, and, in each case, as from time to time published on the MCC Website.

**Program Objective** has the meaning given to that term in Section 1.2.

**Project** or **Projects** has the meaning given to that term in Section 1.2.

**Project Objective** or **Project Objectives** has the meaning given to that term in Section 1.3.

**Provider** has the meaning given to that term in the MCC Audit Guidelines.

**RAP** has the meaning given to that term in Section B.2 of Annex I.

**Records** has the meaning given to that term in Section 4.7(a).

**Regulatory Strengthening Project** has the meaning given to the term in Section A.1 of Annex I.

**RPF** has the meaning given to that term in Section B.2 of Annex I.

**Sierra Leone** has the meaning given to that term in the preamble to this Agreement.

**Target** has the meaning given to that term in Section C.3(a) of Annex I.

**Taxes** has the meaning given to that term in Section 2.5(a).

**TBD** has the meaning given to that term in Table 1.1 of Schedule A to Annex I.

**Threshold Program** has the meaning given to that term in the recitals to this Agreement.

**Water Sector Reform Project** has the meaning given to the term in Section A.2 of Annex I.

**Water Sector Roadmap and Coordination Activity** has the meaning given to the term in Section A.2(a) of Annex I.

**Work Plan** has the meaning given to that term in Section 4.1(c).