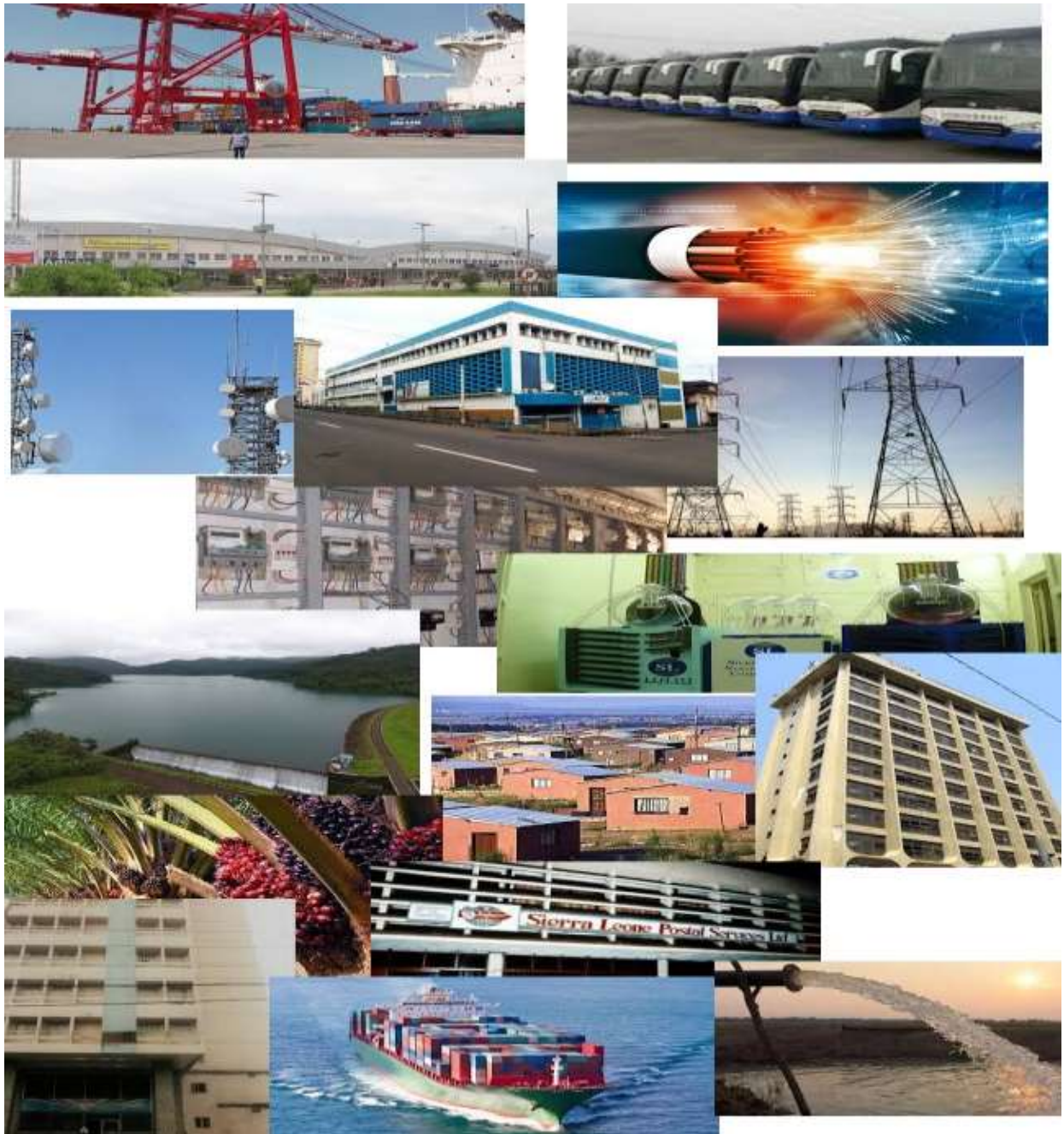




**REPORT ON THE OUTSTANDING LOANS/DEBT INCLUDING
GUARANTEES OF THE SEVENTEEN STATE-OWNED
ENTERPRISES
(End-December, 2022)**



FRMD & PDMD
Ministry of Finance

31st March 2023

LIABILITIES OF THE SEVENTEEN STATE-OWNED ENTERPRISES IN SIERRA LEONE

31ST MARCH 2023

A. Background

This Report provides updated information and descriptive analysis of the most recent developments on outstanding loans and contingent liabilities of state-owned enterprises (SOEs) in Sierra Leone over the period 1st January 2022 to 31st December 2022. Data for this update report were gathered from audited and unaudited financial statements, as well as from the Contingent Liability Survey Report. Unlike the previous SoE report, which took into consideration ten (10) SoEs, this report focuses on all seventeen (17) active SOEs as follows:

1. Electricity Distribution and Supply Authority (EDSA),
2. Electricity Generation and Transmission Company (EGTC),
3. Sierra Leone Airport Authority (SLAA),
4. Sierra Leone Ports Authority (SLPA),
5. Sierra Leone Telecommunication Company (SIERRATEL),
6. Guma Valley Water Company (GVWC),
7. Sierra Leone Road Transport Cooperation (SLRTC),
8. Sierra National Shipping Company (SLNC),
9. National Insurance Company (NIC)
10. Sierra Leone Postal Services (SALPOST).
11. Sierra Leone Commercial Bank (SLCB)
12. Rokel Commercial Bank (RCB)
13. Sierra Leone Water Company (SALWACO)
14. Sierra Leone Housing Corporation (SALHOC)
15. Sierra Leone Broadcasting Corporation (SLBC)
16. Sierra Leone Produce Marketing Company (SLPMC) and
17. Sierra Leone State Lottery (SLSL)

B. Legal Framework

The legal framework for reporting on SoEs' debt and contingent liabilities resides mainly in the Public Debt Management Act 2011 (PDMA), Public Financial Management Act 2016 (PFMA) and the Constitution of Sierra Leone 1991. Specifically, Section 1 of the Public Debt Management PDMA defines public debt to include all financial liabilities created as a result of borrowing by the Government, local councils and public enterprises. Such borrowing must have received the expressed approval of the Minister of Finance in accordance with Section 118 of the Constitution and Section 2(1) of the PDMA. In the case of State Owed Enterprises (SOEs), Section 19(1) and (2) of the PDMA and Section 72(3) of the PFMA require all SoEs to submit to the Ministry of Finance a record of its outstanding debt and new borrowing, including overdrafts, no later than twenty (20) working days after end of every quarter.

SOEs are legal entities created by the Government to undertake commercial activities on its behalf. The terminology used for describing SoEs in the PFMA is 'Public Enterprises'. The PFMA defines Public Enterprises, under Section 1, as including an entity which satisfies the following conditions:

- i) the entity's transactions are distinct from those of its owner;
- ii) more than 50 percent of the entity's production costs are covered by sales in the market; and
- iii) the entity is controlled by any entity included in the general government:
Provided that the Bank of Sierra Leone is not a public enterprise.

Part VIII of the PFMA (Oversight of Sub-Sectors and Extra-budgetary Entities) deals with Public Enterprises under Sections 114-119. Section 116 of the PFMA requires the vote controller of a public enterprise to submit to the responsible authority and the Minister of Finance a budget and financial planning documents of the public enterprise no later than one month before the beginning of its financial year. In addition, Section 117 of the Act covers in-year reporting on quarterly basis to be submitted to the Minister of Finance whereas Section 118 deals with the preparation of the annual financial statements of public enterprises to be submitted within six months after the end of the financial year to the responsible authority and the Minister of Finance. In accordance with Section 118 (3) all annual reports of public enterprises are to be published by the Minister of Finance in the Gazette and the MOF website.

C. Outstanding Loans/Debt and Guarantees of the Sixteen SOEs

As at end December 2022, the total outstanding loans/debt and guarantees of the seventeen SoEs is estimated at US\$34.04 million of which US\$8.39 million (SLE156.47 million) is domestic debt and the residual is external debt. Tables 1 and 2 show the loan profile of the seventeen SoEs. The entirety of the external debt is owed by Sierra Leone Telecommunication Company (SIERRATEL) (US\$24.21 million), and Guma Valley Water Company (US\$1.44 million). These loans were acquired directly by Government and on-lent to these institutions. SIERRATEL loans were used for the modernization and expansion of telecommunications infrastructure, wireless loop and networks (CDMA project), and were secured from the Exim Bank of India and Exim Bank of China. Of the overall SoE debt, SIERRATEL accounts for 71.1 percent, followed by the Electricity Distribution and Supply Authority (EDSA) and Guma Valley Water Company, accounting for 18.3 percent and 4.2 percent respectively. EDSA's obligation is mainly in the form of a revolving Letter of Credit to support fuel purchases by Karpower for the supply of electricity to Freetown, and short-term loans to meet payment to Karpower. The on-lent loan to Guma Valley Water Company was to finance the Freetown Wash and Aquatic Environment Revamping Project.

The outstanding loan to Sierra Leone Airport Authority (SLAA), Sierra Leone Road Transport Corporation (SLRTC), and Sierra Leone Postal Services (SalPost) were soft loans provided by Government to these institutions to mitigate their cash flow challenges caused by the COVID-19 pandemic.

Apart from their normal deposit liabilities, the two (2) State-owned Banks, Sierra Leone Commercial and Rokel Commercial Bank Ltd., do not have any outstanding

loan. During the review period also, the following SOEs did not record any loans or explicit contingent liabilities:

- i. National Insurance Company (NIC)
- ii. Electricity Generation and Transmission Company (EGTC)
- iii. Sierra Leone Housing Corporation (SALHOC)
- iv. Sierra Leone Water Company (SALWACO)
- v. Sierra Leone State Lottery (SLSL) – Government has entered into a joint venture with a private partner
- vi. Sierra Leone Broadcasting Corporation (SLBC)
- vii. Sierra Leone Produce Marketing Company (SLPMC)

E. Structural developments in the Management of State-owned Enterprises.

Government is committed to develop the policy environment for the management of state-owned enterprises including:

1. Develop a corporate governance framework for the two state-owned banks (SOBs) with a focus on (a) Board and Senior management oversight; (b) operational management; (c) risk management (d) compliance with regulations; (e) internal audit; (f) external audit;
2. Develop and publish an action plan on the corporate governance frameworks for the two state-owned banks; and
3. Develop a SOE Ownership Policy that outlines the rationale and objective for state ownership, which would help guide further reforms of SOEs and the framework. The SOE Ownership Policy have already been approved by Cabinet, the drafting of the bill to replace the NCP Act is in progress.

Table 1: SoEs Outstanding Loans in Original Currencies (As at end December 2022)

NO.	STATE-OWNED ENTERPRISE	ACRONYM	CREDITOR	PURPOSE	DATE CONTRACTED	ORIGINAL LOAN AMOUNT	TENURE	INTEREST RATE	AMOUNT OUTSTANDING AS AT END-DEC 2022
1a	Sierra Leone Airport Authority	SLAA	Zenith Bank (SL) Ltd	Procurement of aircraft rescue equipment	Jun-19	SLL 4,878,862,819	2-Years	18.0%	SLL 0
1b	Sierra Leone Airport Authority	SLAA	Government of Sierra Leone	Soft loan from GoSL (Stimulus Package for COVID-19)	Jun-20	SLL 7,000,000,000	36 months	0.0%	SLL 7,000,000,000
1c	Sierra Leone Airport Authority	SLAA	Government of Sierra Leone	Soft loan from GoSL (Stimulus Package for COVID-19)	Jun-21	SLL 2,399,000,000	24 months	0.0%	SLL 2,399,000,000
2	Guma Valley Water Company	GVWC	African Development Bank (AfDB) /1	GVWC, Freetown Wash and Aquatic Environmental Revamping Project (Water & Sanitary Revamping)	2019	UA47,630,000	20-Years	1.5%	UA1,084,556
3a	Sierra Leone Telecommunications Company Ltd.	SIERRATEL	Exim Bank of India /1 (ECOWAS Bank for Investment and Development (EBID))	Modernisation and Expansion of Telecommunications Infrastructure Project Loan Agreement (ADSL NETWORK)	July 2009	\$29,450,000	20-Years	2.8%	\$19,148,757
3b	Sierra Leone Telecommunications Company Ltd.	SIERRATEL	Exim Bank of China /1	Sierratel Wireless Local Loop Credit Agreement, CNY (Renminbi) 115,984,112.7, CDMA NETWORK	October 2007	\$20,169,000	20-Years	2.0%	\$5,059,947
3c	Sierra Leone Telecommunications Company Ltd.	SIERRATEL	Government of Sierra Leone	Expansion of network (RASCOS LOAN)	2009	SLL 4,350,000,000	N/A	N/A	SLL 0
3d	Sierra Leone Telecommunications Company Ltd.	SIERRATEL	Sierra Leone Commercial Bank	Overdraft facility	Aug-21	SLL 2,000,000,000		21.0%	SLL 0
4a	Electricity Distribution and Supply Authority	EDSA (Karazeniz Power ship Utility Grid Infrastructure and Electricity Supply)	GT Bank	To support electricity supply (Letter of Credit, equivalent of US\$7,000,000)	December 2020	SLL 70,000,000,000	12 months	0.0%	SLL 70,000,000,000
4b	Electricity Distribution and Supply Authority	EDSA	GT Bank	Payment to Karpower under Power Purchase Agreement	Jul-21	SLL 30,000,000,000	30 months	18.0%	SLL 14,950,000,000
4c	Electricity Distribution and Supply Authority	EDSA	United Bank for Africa (UBA)	Payment to Karpower under Power Purchase Agreement	Aug-21	SLL 55,000,000,000	30 months	20.0%	SLL 31,180,000,000
5a	Sierra Leone Road Transport Corporation	SLRTC	Government of Sierra Leone	Soft loan from GoSL (Stimulus Package for COVID-19)	Jun-20	SLL 5,000,000,000	36 months	0.0%	SLL 5,000,000,000
5b	Sierra Leone Road Transport	SLRTC	Rokel Commercial Bank	Sierra Leone Road Transport, Fleet Renewal Project	Sep-21	SLL 10,526,220,000	2 and 1/2 Years	16.0%	SLL 0
6a	Sierra Leone Postal Services	SALPOST	Government of Sierra Leone	Soft loan from GoSL (Stimulus Package for COVID-19)	Jun-20	SLL 3,000,000,000	36 months	0.0%	SLL 3,000,000,000
6b	Sierra Leone Postal Services	SALPOST	Government of Sierra Leone	Soft loan from GoSL (Stimulus Package for COVID-19)	Jun-20	SLL 6,443,000,000	36 months	0.0%	SLL 6,443,000,000
7a	Sierra Leone Ports Authority	SLPA	Rokel Commercial Bank	Overdraft facility	Jan-22	SLL 9,000,000,000	N/A	N/A	SLL 0
7b	Sierra Leone Ports Authority	SLPA	Rokel Commercial Bank	Overdraft facility	Dec-22	SLL 16,000,000,000	4 Months	20.0%	SLL 16,000,000,000
8	Sierra Leone National Shipping Company	SLNSC	Sierra Leone Commercial Bank	Overdraft facility	Jul-21	SLL 500,000,000	N/A	0.0%	SLL 500,000,000
9	National Insurance Company	NIC	N/A	N/A	N/A	N/A	N/A	N/A	N/A
10	Electricity Generation and Transmission Company	EGTC	N/A	N/A	N/A	N/A	N/A	N/A	N/A
11	Sierra Leone Housing Corporation	SALHOC	N/A	N/A	N/A	N/A	N/A	N/A	N/A
12	Sierra Leone Water Company	SALWACO	N/A	N/A	N/A	N/A	N/A	N/A	N/A
13	Sierra Leone State Lottery	SLSL	N/A	N/A	N/A	N/A	N/A	N/A	N/A
14	Sierra Leone Broadcasting Corporation	SLBC	N/A	N/A	N/A	N/A	N/A	N/A	N/A
15	Rokel Commercial Bank	RCB	N/A	N/A	N/A	N/A	N/A	N/A	N/A
16	Sierra Leone Commercial Bank	SLCB	N/A	N/A	N/A	N/A	N/A	N/A	N/A
17	Sierra Leone Produce Marketing Company	SLPMC	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total						SLL 210,097,082,819			SLL 156,472,000,000
						\$49,619,000			\$24,208,704
						UA47,630,000			UA1,084,556

Source: PDMD and FRMD, Ministry of Finance, December 2022

/1 These loans were originally contracted by Government of Sierra Leone and on-lend to the respective SoEs and Government is servicing the principal and interest regularly. Given that the SoEs are yet to commence repayment, the original loan balance remain the same in the books of the SoEs.

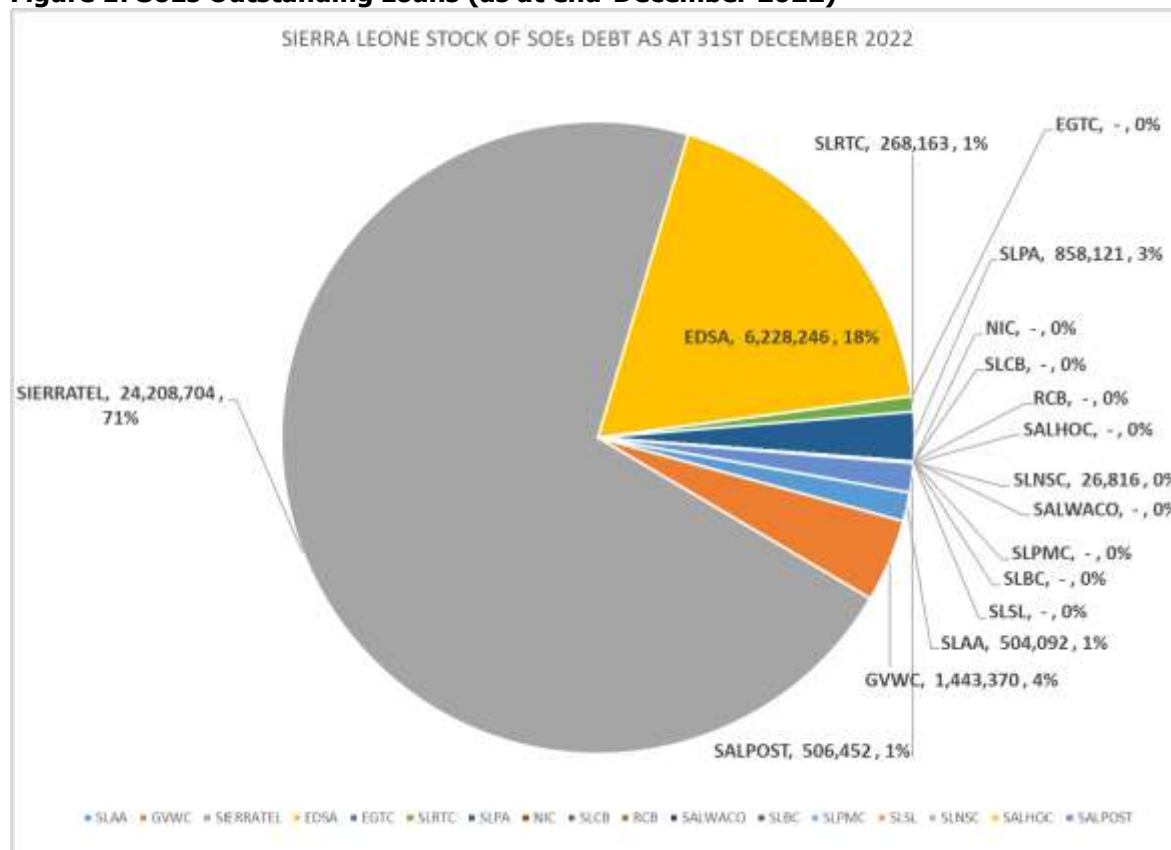
/2 This table has also been published in the Recurrent and Development Expenditure Estimates for the Financial Year 2022-2024 (Budget Volume) of the Government of Sierra Leone. It is uploaded on the Website of the Ministry of Finance to enhance debt transparency.

Table 2: SoEs Outstanding Loans in New Leones Equivalent and US Dollars as (as at end-December 2022)

No	State Owned Enterprises	Acronyn	Total Amount SLE'000	Total US\$	Percent of Total
1	Sierra Leone Airport Authority	SLAA	9,399,000	504,092	1.5
2	Guma Valley Water Company	GVWC	26,912,211	1,443,370	4.2
3	Sierra Leone Telecommunication Company	SIERRATEL	451,380,970	24,208,704	71.1
4	Electricity Distribution and Supply Authority	EDSA	116,130,000	6,228,246	18.3
5	Electricity Generation and Transmission Company	EGTC	-	-	0
6	Sierra Leone Road Transport Company	SLRTC	5,000,000	268,163	0.8
7	Sierra Leone Ports Authority	SLPA	16,000,000	858,121	2.5
8	National Insurance Company	NIC	-	-	-
9	Sierra Leone Commercial Bank	SLCB	-	-	-
10	Rokel Commercial Bank	RCB	-	-	-
11	Sierra Leone Water Company	SALWACO	-	-	-
12	Sierra Leone Broadcasting Corporation	SLBC	-	-	-
13	Sierra Leone Produced Marketing Cokmpany	SLPMC	-	-	-
14	Sierra Leone State Lottery Company	SLSL	-	-	-
15	Sierra Leone National Shipping Company	SLNSC	500,000	26,816	0.1
16	Sierra Leone Housing Corporation	SALHOC	-	-	-
17	Sierra Leone Postal Services	SALPOST	9,443,000	506,452	1.5
	TOTAL		634,765,181	34,043,964	100

Source: PDMD and FRMD, Ministry of Finance, December 2022

Figure 1: SoEs Outstanding Loans (as at end-December 2022)



Source: PDMD and FRMD, Ministry of Finance

Table 3. Sierra Leone. Information on State Owned Enterprises/Public Enterprises 31st December 2022

No.	Detor Entity	Government ownership (in%)	Sector	Country classification	Financial or Non-financial
1	Electricity Distribution and Supply Authority (EDSA)	100	Energy	SOE	Non-Financial
2	S/L Telecommunication Co. Ltd (SIERRATEL)	100	Information & Communication	SOE	Non-Financial
3	Sierra Leone Postal Services (SALPOST)	100	Information & Communication	SOE	Non-Financial
4	Guma Valley Water Company (GVWC)	99	Water, Sanitation & Waste Management	SOE	Non-Financial
5	Electricity Generation and Transmission Company (EGTC)	100	Energy	SOE	Non-Financial
6	Sierra Leone Transport Corporation (SLRTC)	100	Transport	SOE	Non-Financial
7	Sierra Leone Airport Authority (SLAA)	100	Transport	SOE	Non-Financial
8	Sierra Leone National Shipping Company (SLNSC)	100	Transport	SOE	Non-Financial
9	Sierra Leone Port Authority (SLPA)	100	Transport	SOE	Non-Financial
10	Sierra Leone Produce Marketing Company (SLPMC)	100	Trade	SOE	Non-Financial
11	National Insurance Company (NIC)	100	Financial	SOE	Financial
12	Sierra Leone Housing Corporation (SALHOC)	100	Works and Public Asset	SOE	Non-Financial
13	Sierra Leone State Lottery (SLSL)	100	Others	SOE	Non-Financial
14	Rokel Commercial Bank (RCB)	65	Financial	SOE	Financial
15	Sierra Leone Commercial Bank (SLCB)	90	Financial	SOE	Financial
16	Sierra Leone Broadcasting Corporation (SLCB)	100	Information & Communication	SOE	Non-Financial
17	Sierra Leone Water Company (SALWACO)	100	Water, Sanitation & Waste Management	SOE	Non-Financial

Source: PDMD and FRMD, Ministry of Finance