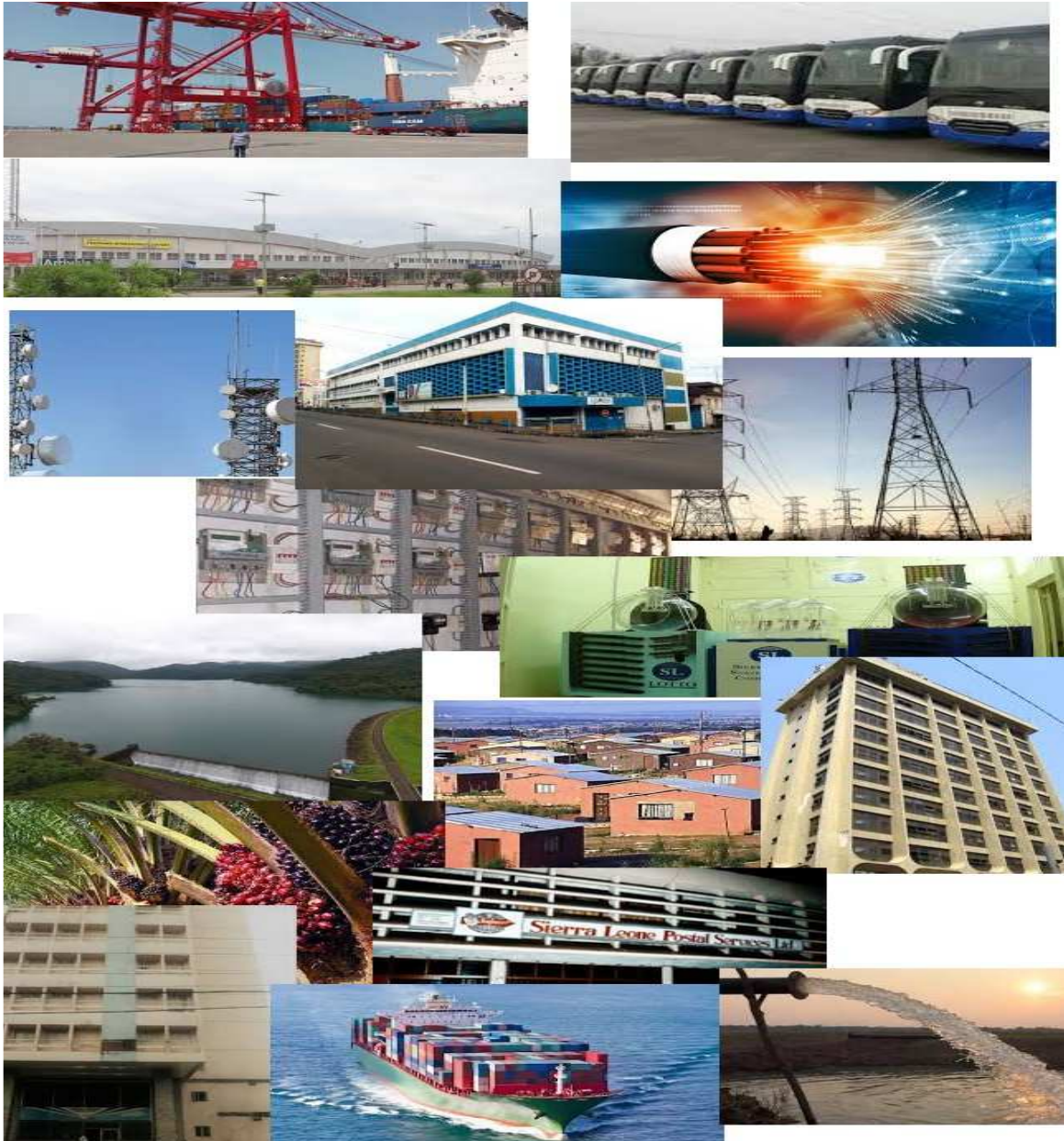




## REPORT ON THE OUTSTANDING LOANS OF THE FIVE MAJOR STATE-OWNED ENTERPRISES (2018 - 2020)



FRMD & PDMD  
Ministry of Finance

31<sup>st</sup> May 2021

# **LIABILITIES OF THE FIVE MAJOR STATE-OWNED ENTERPRISES IN SIERRA LEONE**

**31<sup>ST</sup> MAY 2021**

## **Background**

This Report provides an analysis of the outstanding loans of the five major state-owned enterprises (SOEs) over the period 2018 - 2020, placing specific emphasis on the contingent liabilities of these SOEs. Data for this Report were gathered from audited and, in some cases, unaudited financial statements, as well as from the Contingent Liability Survey Report for Fiscal Year 2020 (FY2020). The five SOEs considered in this Report are:

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)

## **Legal Framework**

In accordance with the legal definition prescribed by section 1 of the Public Debt Management Act (PDMA) 2011, public debt includes all financial liabilities created as a result of borrowing by the Government, local councils and public enterprise. Such borrowing must have received the expressed approval of the Hon. Minister of Finance in accordance with Section 118 of the 1991 Constitution of Sierra Leone and Section 2(1) of the PDMA 2011. In the case of State Owed Enterprises (SOEs), Section 19(1) and (2) of the PDMA 2011 require all Public Enterprises to submit to the Ministry of Finance a record of its outstanding debt and new borrowing including overdrafts no later than twenty working days after end of every quarter.

SOEs or Public Enterprises are legal entities created by the Government of Sierra Leone (GOSL) to undertake commercial activities on its behalf. The terminology used in the Public Financial Management (PFM) Act 2016 is 'Public Enterprises', which is the same as SOEs and these terms could be used interchangeably. The PFM Act 2016 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 (Oversight of Sub-Sectors and Extra-budgetary Entities) of the PFM Act 2016 deals with Public Enterprises under Sections 114-119. Section 116 of the PFM Act 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.

Due to the responsibility granted to the Minister of Finance under the PFM Act 2016, a Fiscal Risk and SOE Oversight Division was created in the in 2018 with a primary mandate to provide fiduciary oversight and strategic direction for SOEs. This involves critical analysis of the financial performance of the SOEs, focusing on improving their financial efficiency.

### **Explicit Contingent Liabilities of the Five Major SOEs**

The Leone equivalent of the total outstanding loans of the five largest SoEs is SLL2,400.89 billion or about US\$232.31 million. Majority of the loans is concentrated in the water sector about 75 percent to support Freetown Aquatic Environment Revamping projects funded by the African Development Bank to the Guma Valley Water Company followed by SIERRATEL CDMA project with SLL505.76 billion (21.07 %). All of the external loans contracted by SoEs are not new. They have already been included in the Public Debt Bulletin of 2019 (page 19) and counted as part of the total public and publicly guaranteed debt stock of end-December 2019 and 2020.

As at end December 2020, the total outstanding loans of the five major SOEs, in the currency in which they were acquired, stood at SLL12.87 billion, US\$227.01 million and EUR2.92 million. Table1 shows the terms and conditions of the outstanding loans of the five SOEs.

It should be noted however, that the liabilities denominated in foreign currencies for both SIERRATEL and GVWC are loans that were directly acquired by Government and on-lent to these institutions. In other words, Government is the primary obligor and the repayment of these loans are borne directly from the National Budget.

The US\$7.0 million explicit liability of EDSA relates to a revolving Letter of Credit to enable a steady supply of fuel for the Karpowership to generate electricity.

With the exception of the SLL7.0 billion soft loan to SLAA, which was provided by Government as fiscal stimulus during the COVID-19 pandemic, the remaining facilities in Leone were secured directly from local commercial banks on comfort letters provided by the Ministry of Finance.

During the period under review, EGTC recorded no explicit contingent.

**Table 1: SoEs Outstanding Loans in Original Currencies (As at end 2020)**

SOE	LOAN NAME	PURPOSE	DATE CONTRACTED	ORIGINAL LOAN AMOUNT	TENURE	INTEREST RATE	AMOUNT OUTSTANDING AS AT END DEC, 2020
SLAA	SOFT LOANS	Staff salaries & allowances	June,2020	SLL 7,000,000,000.00	3-Years	0.00%	SLL 7,000,000,000.00
SLAA	ZENITH BANK (SL)LTD	Procurement of aircraft rescue equipment	JUNE, 2019	SLL 4,878,862,819.43	2-Years	18.00%	SLL 1,521,783,397.56
GWVC	GUMA, Freetown Wash Aquatic Environmental Revamping Project( ADB)	Water & Sanitary Revamping Project	2019	\$171,662,838.00	20-Years	1.50%	\$171,662,838.00
GWVC	ADB	Freetown MasterPlan Investment Studies	2019	Eur2,921,059.00			Eur2,921,059.00
SIERRATEL	INDIAN LOAN/EXIM BANK	ADSL NETWORK	05/07/2009	SLL 29,450,000.00	20-Years	2.00%	\$29,450,000.00
SIERRATEL	CHINESE/ CDMA LOAN	CDMA NETWORK	05/10/2007	SLL 20,169,000.00	20-Years	1.75%	\$18,901,866.66
SIERRATEL	RASCOM LOAN	Expansion of network	2009	SLL 4,350,000,000.00	N/A	N/A	SLL 4,350,000,000.00
EDSA	Karazeniz Powership Utility Grid Infrastructure and Electricity Supply	To support electricity supply (Letter of Credit)	14/10/2020	\$7,000,000.00	0	0	\$7,000,000.00
<b>Total</b>				SLL 16,228,862,819.43			SLL 12,871,783,397.56
				\$228,281,838.00			\$227,014,704.66
				Eur2,921,059.00			Eur2,921,059.00

**Table 2: Leone Equivalent of SoEs Outstanding Loans (as at end-December 2020)**

No	State Owned Enterprises	Total Leones	Total US\$	Percent of Total
1	Sierra Leone Airports Authority	SLL 11,878,862,819.43	1,149,374.20	0.49
2	Guma Valley Water Company	SLL 1,810,908,156,747.14	175,219,728.24	75.43
3	Sierra Leone Telecommunication Company	SLL 505,757,810,828.88	48,936,079.86	21.07
4	Electricity Distribution and Supply Authority	SLL 72,345,490,000.00	7,000,000.00	3.01
5	EGTC	0	-	0.00
<b>Total</b>		<b>SLL 2,400,890,320,395.45</b>	<b>232,305,182.30</b>	<b>100.00</b>

**Figure 1: SoEs Outstanding Loans (as at end-December 2020)**

