



**REPORT ON THE OUTSTANDING LOANS/DEBT INCLUDING
GUARANTEES OF THE TEN LARGEST STATE-OWNED
ENTERPRISES
(End-December, 2021)**



FRMD & PDMD
Ministry of Finance

31st August 2022

LIABILITIES OF THE TEN LARGEST STATE-OWNED ENTERPRISES IN SIERRA LEONE

31ST AUGUST 2022

A. Background

Government is pleased to publish the second edition of the State-Owned Enterprises (SOEs) Report to provide information mainly on their liabilities. The first report on SoEs debt and liabilities was published in May 2020 focusing on the first ten largest SOEs for the period 2018 - 2020, followed by an update of the data on the ten largest SoEs that was published in May 2022. This Report provides updated information and descriptive analysis of the most recent developments on outstanding loans and liabilities of the ten largest state-owned enterprises (SOEs) over the period 1st January 2021 to 31st December 2021, placing specific emphasis on the contingent liabilities of these SOEs. Data for this update report were gathered from audited and unaudited financial statements, as well as from the Contingent Liability Survey Report for Fiscal Year 2021 (FY2021). The ten largest SOEs (based on size of balance sheet) 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),
6. Guma Valley Water Company (GVWC),
7. Sierra Leone Road Transport Cooperation (SLRTC),
8. Sierra National Shipping Company (SLNC),
9. National Insurance Company (NIC) and
10. Sierra Leone Postal Services (SALPOST).

B. Legal Framework

The legal framework for reporting on SoEs debt and contingent liabilities remains the same as prescribed by the provisions in the Public Debt Management Act 2011 (PDMA). Specifically, 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 enterprises. 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 and Section 72(3) of the Public Financial Management Act (PFM) 2016 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 for describing SoEs 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 of the PFM Act 2016 (Oversight of Sub-Sectors and Extra-budgetary Entities) 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 Management and SOE Oversight Division was created 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.

C. Outstanding Loans/Debt and Guarantees of the Ten Largest SOEs

The total outstanding loans/debt and guarantees of the ten largest SoEs is SLe850.04 million (New Leones) or about US\$74.78 million as at end-December 2021. These loans/debts are mainly concentrated in the telecommunication sector (SIERRATEL), accounting for US\$48.51 million (65%). The telecoms 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. The second largest concentration of SoEs' loans is in the energy sector (EDSA), accounting for US\$12.83 million (17%), which were used to support fuel supply and payments to Karpower for electricity. This is followed by the water sector (Guma Valley Water Company) to support the Freetown Wash and Aquatic Environment Revamping project, accounting for US\$9.39 million (13%). Table 1 gives a summary of the outstanding loans owed by SoEs as at end 2021, which is also reflected in the Public Debt Bulletin of 2021. It gives an update of the previous SoE table that was published in 2021 with reconciled figures.

It should be noted 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 made directly from the National Budget.

The SLE70.0 million (New Leones) explicit liability of EDSA relates to a revolving Letter of Credit to enable a steady supply of fuel for the Karpowership to generate electricity to the Freetown.

With the exception of the SLE7.0 billion soft loan to SLAA, which was provided by Government in 2020 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, the NIC and EGTC recorded no explicit contingent liability.

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.

Table 1: SoEs Outstanding Loans in Original Currencies (As at end 2021)

No.	STATE-OWNED ENTERPRISE	ACRONYM	CREDITOR	PURPOSE	DATE CONTRACTED	ORIGINAL LOAN AMOUNT	TENURE	INTEREST RATE	AMOUNT OUTSTANDING AS AT END-DECEMBER 2021
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 2,126,057,694
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-20	SLL 2,399,000,000	36 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	UA6,720,000	20-Years	1.5%	UA6,720,000
3a	Sierra Leone Telecommunications Company Ltd.	SIERRATEL	Exim Bank of India /1	Modernisation and Expansion of Telecommunications Infrastructure Project Loan Agreement (ADSL NETWORK)	July 2009	\$29,450,856	20-Years	2.8%	\$29,450,856
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%	\$19,062,333
3c	Sierra Leone Telecommunications Company Ltd.	SIERRATEL	Government of Sierra Leone	Expansion of network (RASCOM 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 25,800,000,000
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 50,000,000,000
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 /2	Sep-21	SLL 10,526,220,000	2 and 1/2 Years	16.0%	SLL 10,526,220,000
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
7	Sierra Leone Ports Authority	SLPA	Rokel Commercial Bank	Overdraft facility	Jan-22	SLL 9,000,000,000	N/A	N/A	SLL 9,000,000,000
8	Sierra 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
						Total			SLL 210,097,082,819
									\$49,619,856
									UA6,720,000
						Grand Total in Leones			SLL 880,922,587,387
						Grand Total in US\$			\$77,489,522

Notes:

/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 The total loan amount under this facility is Le30 billion whilst only Le10.5 billion.

/3 The table was published in May 2022 before the redenomination.

Exchange Rate (selling rate) as at 31st December 2021

Leones/USD	11,368.28	BSL rate
Leones/UA/SDR	15,882.90	Online rate (https://cuex.com/en/xdr-sll)

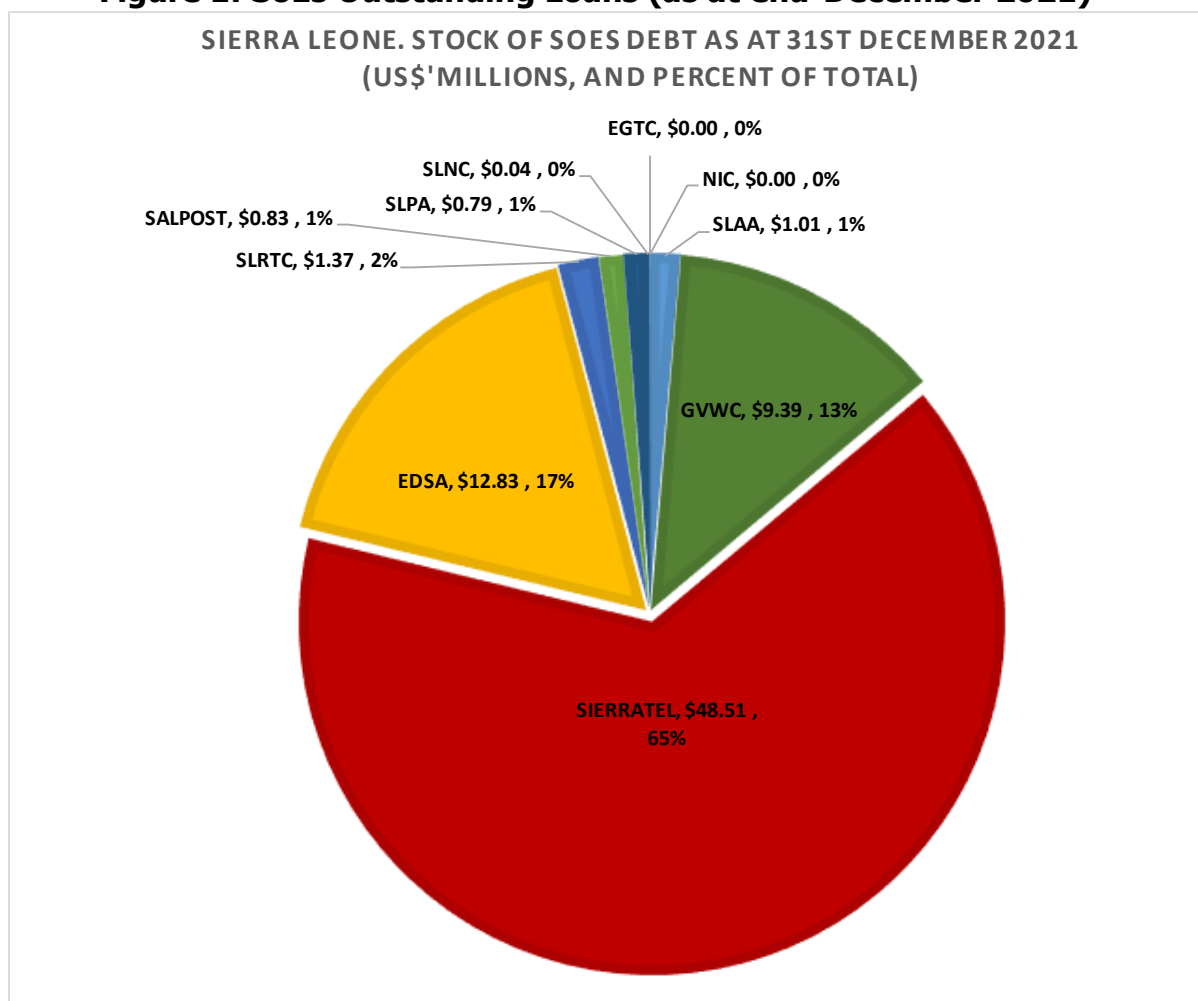
Source: PDMD and FRMD, Ministry of Finance, August 2022

Table 2: SoEs Outstanding Loans in New Leones Equivalent and US Dollars as (as at end-December 2021)

No	State Owned Enterprises	Acronym	Total NLeones	Total US\$m	Percent of Total
1	Sierra Leone Airport Authority	SLAA	SLL 11,525,057.69	\$1.01	1
2	Guma Valley Water Company	GVWC	SLL 106,733,088.00	\$9.39	13
3	Sierra Leone Telecommunications Company Ltd.	SIERRATEL	SLL 551,511,520.00	\$48.51	65
4	Electricity Distribution and Supply Authority	EDSA	SLL 145,800,000.00	\$12.83	17
5	Sierra Leone Road Transport Corporation	SLRTC	SLL 15,526,220.00	\$1.37	2
6	Sierra Leone Postal Services	SALPOST	SLL 9,443,000.00	\$0.83	1
7	Sierra Leone Ports Authority	SLPA	SLL 9,000,000.00	\$0.79	1
8	Sierra National Shipping Company	SLNC	SLL 500,000.00	\$0.04	0
9	National Insurance Company	NIC	0	\$0.00	0
10	Electricity Generation and Transmission Company	EGTC	0	\$0.00	0
Total			SLL 850,038,885.69	\$74.77	100

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

Figure 1: SoEs Outstanding Loans (as at end-December 2021)



Source: PDMD and FRMD, Ministry of Finance

Table 3. Sierra Leone. Information on State Owned Enterprises/Public Enterprises 31st December 2021

No.	Debtor Entity	Government ownership (in %)	Sector	Country classification	Commercial or non-commercial (C/NC)
1	Electricity Distribution and Supply Authority (EDSA)	100.00%	Energy and Extractives	SoE	C
2	S/L Telecommunications Co. Ltd. (SIERRATEL)	100.00%	Information and Communications Technologies	SoE	C
3	Sierra Leone Postal Services Ltd. (SALPOST)	100.00%	Public Administration	SoE	C
4	Guma Valley Water Company (GVWC)	95.00%	Water, Sanitation & Waste Management	SoE	C
5	Electricity Generation and Transmission Company (EGTC)	100.00%	Energy and Extractives	SoE	C
6	Sierra Leone Road Transport Corporation (SLRTOC)	100.00%	Transportation	SoE	NC
7	Sierra Leone Airport Authority (SLAA)	100.00%	Transportation	SoE	C
8	Sierra Leone Airlines (SNA)	100.00%	Transportation	SoE	C
9	Mining and General Services Co (SL) Ltd. (MAGS)	51.00%	Energy and Extractives	SoE	C
10	Sierra Leone National Shipping Company Co. (SLNSC)	100.00%	Industry, Trade & Services	SoE	C
11	Sierra Leone Ports Authority (SLPA)	100.00%	Transportation	SoE	C
12	Sierra Leone Produce Marketing Company (SLPMC)	100.00%	Industry, Trade & Services	SoE	C
13	Sierra Leone Daily Mail	100.00%	Public Administration	SoE	NC
14	Sierra Leone Cable Company	100.00%	Information and Communications Technologies	SoE	C
15	Sierra Leone Housing Corporation (SALHOC)	100.00%	Public Administration	SoE	C
16	Sierra Leone State Lottery Co Ltd (Lotto)	100.00%	Other	SoE	C

Source: PDMD and FRMD, Ministry of Finance