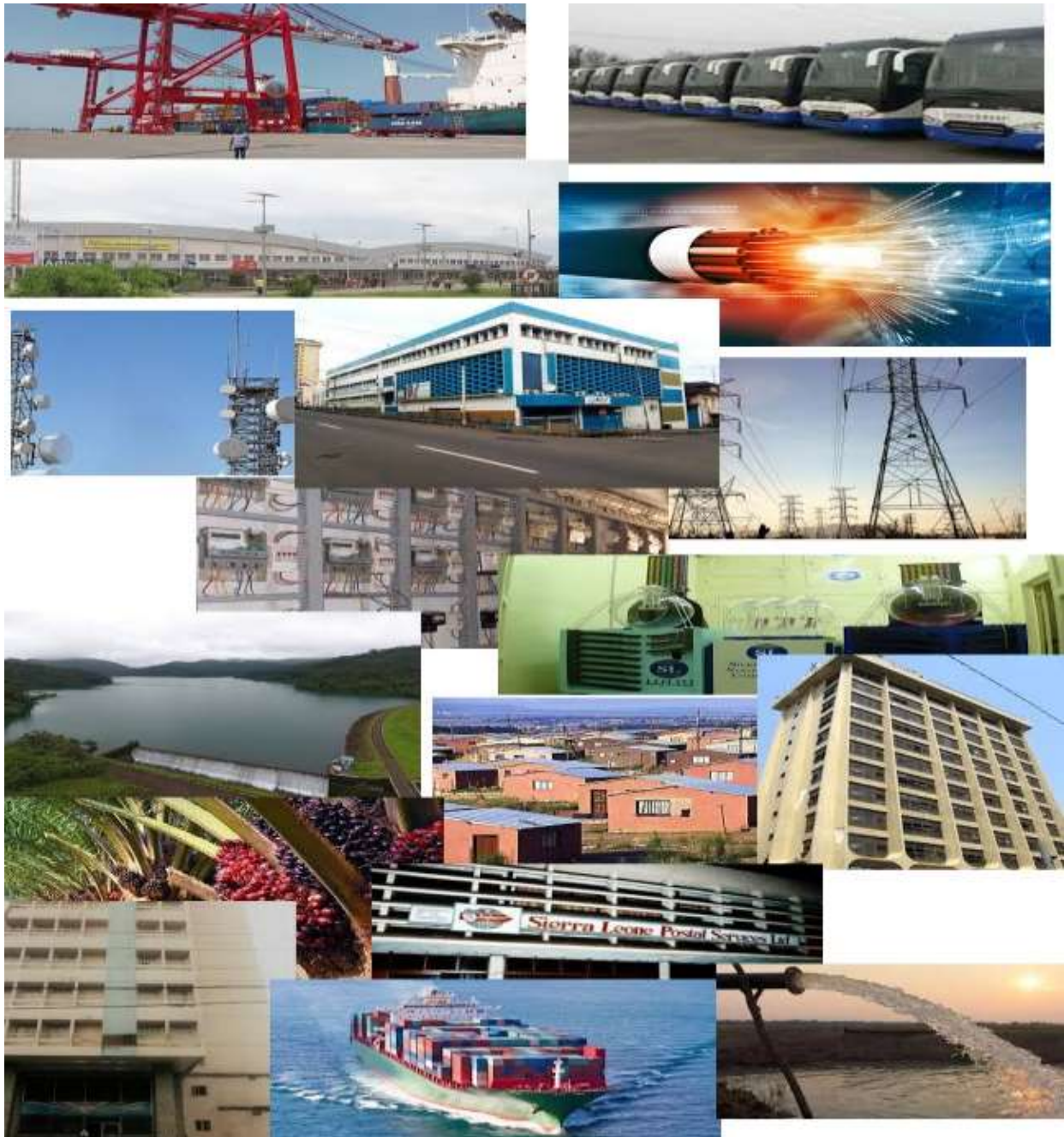




**REPORT ON THE OUTSTANDING LOANS/DEBT INCLUDING
GUARANTEES OF THE SEVENTEEN STATE-OWNED ENTERPRISES
(End-December, 2023)**



*FRMD & PDMD
Ministry of Finance*

24th April 2024

LIABILITIES OF THE SEVENTEEN STATE-OWNED ENTERPRISES IN SIERRA LEONE

24th April 2024

A. Background

This report provides updated information and analysis of the most recent developments on outstanding loans and contingent liabilities of State-owned Enterprises (SOEs) in Sierra Leone for the period 1st January 2023 to 31st December 2023. The data presented in this report were collected from both audited and unaudited financial statements, as well as from the Contingent Liability Survey Report. This report differs from the previous State-owned Enterprises (SoE) report, which considered only 10 State-owned Enterprises (SOEs). We have now covered all of the 18 active SoEs in this updated report as listed below:

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)
17. Sierra Leone State Lottery (SLSL) and
18. Sierra Leone Cable Company (SALCAB).

B. Legal Framework

The legal framework governing reporting on State-Owned Enterprises (SoEs) debt and contingent liabilities is mainly found in the Public Debt Management Act of 2011 (PDMA 2011), the Public Financial Management Act of 2016 (PFMA 2016), and the Constitution of Sierra Leone of 1991. According to Section 1 of the PDMA 2011, public debt is any financial obligation resulting from borrowing by the Government, local councils, and public enterprises. Such borrowing, according to Section 118 of the Constitution and Section 2(1) of the PDMA 2011 must have received the expressed approval of the Minister of Finance.

In this regard, Section 19(1) and (2) of the PDMA 2011 and Section 72(3) of the PFMA 2016 require State-Owned Enterprises (SOEs) to submit a record of their outstanding debt and new borrowings, including overdrafts, to the Ministry of Finance no later than 20 working days after the end of every quarter.

SOEs are legal entities created by the Government to undertake commercial activities on its behalf. In the Public Financial Management Act (PFMA 2016), SOEs are referred to as "Public Enterprises". According to Section 1 of the PFMA 2016, a Public Enterprise is an entity that meets 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 considered controlled by any entity that is part of the general government, except for the Bank of Sierra Leone as it is not a public enterprise.

Part VIII of the PFMA 2016, through Sections 114-119 (Oversight of Sub-Sectors and Extra-budgetary Entities) covers Public Enterprises. According to Section 116 of the PFMA 2016, the individual in charge of the vote for a public enterprise must provide the responsible authority and the Minister of Finance with a budget and financial planning documents for the enterprise at least one month before the start of its financial year. In addition, section 117 of the Act requires quarterly reports to be submitted to the Minister of Finance during the year, while Section 118 deals with the preparation of annual financial statements for public enterprises. These statements must be submitted to the responsible authority and the Minister of Finance within six months after the end of the financial year. Following Section 118 (3) of the PFM Act 2016 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

The total outstanding loans/debt and guarantees of SoEs, are estimated at US\$36.54 million (NLe837.16 million) as at end December 2023 compared to US\$34.04 million (NLe634.77 million) in December 2022. Loans contracted locally by SoEs amounted to US\$7.00 million (NLe160.42 million), accounting for 19.2% of total outstanding SoE loans in 2023. Loans contracted from external sources by the Government and on-lent to SoEs amounted to US\$29.54 million (NLe676.74 million) and accounted for 80.8% of total SoE debts.)

Tables 1 and 2 below show the composition of SoE Loans and loan profile of the SoE sector as at end-December 2023

Table 1: Composition of SoE Loans as at end-December 2023

Composition	NLe	US\$	Percent of total
Domestic	160,418,621,203	7,001,756	19.2
External	676,743,757,414	29,537,683	80.8
Total SoE Debt	837,162,378,617	36,539,438	100.0

Source: PDMD and FRD

Table 2: Government of Sierra Leone. State-Owned Enterprises Loans and Contingent Liabilities in Original Currencies as at End-December 2023

NO.	STATE-OWNED ENTERPRISE	ACRONYM	CREDITOR	PURPOSE	DATE CONTRACTED	Loan Currency	ORIGINAL LOAN AMOUNT	TENURE	INTEREST RATE	AMOUNT OUTSTANDING AS AT END-DEC 2023 Original Currency	AMOUNT OUTSTANDING AS AT END-DEC 2023 NLe
1	Sierra Leone Airport Authority	SLAA	Government of Sierra Leone	Soft loan from GoSL (Stimulus Package for COVID-19)	Jun-20	NLe	7,000,000	36 months	0.0%	7,000,000	7,000,000
2	Sierra Leone Airport Authority	SLAA	Government of Sierra Leone	Soft loan from GoSL (Stimulus Package for COVID-19)	Jun-21	NLe	2,399,000	24 months	0.0%	2,399,000	2,399,000
3	Sierra Leone Road Transport Corporation	SLRTC	Government of Sierra Leone	Soft loan from GoSL (Stimulus Package for COVID-19)	Jun-20	NLe	5,000,000	36 months	0.0%	5,000,000	5,000,000
4	Sierra Leone Postal Services	SALPOST	Government of Sierra Leone	Soft loan from GoSL (Stimulus Package for COVID-19)	Jun-20	NLe	3,000,000	36 months	0.0%	3,000,000	3,000,000
5	Sierra Leone Postal Services	SALPOST	Government of Sierra Leone	Soft loan from GoSL (Stimulus Package for COVID-19)	Jun-20	NLe	6,443,000	36 months	0.0%	6,443,000	6,443,000
6	Electricity Distribution and Supply Authority	EDSA	GT Bank	Payment to Karpower under Power Purchase Agreement	Jul-21	NLe	30,000,000	30 months	18.0%	3,736,620	3,736,620
7	Electricity Distribution and Supply Authority	EDSA	United Bank for Africa (UBA)	Payment to Karpower under Power Purchase Agreement	Aug-21	NLe	55,000,000	30 months	20.0%	11,642,583	11,642,583
8	Sierra Leone National Shipping Company	SLNSC	Sierra Leone Commercial Bank	Overdraft facility	Jul-21	NLe	1,000,000	N/A	25.0%	1,000,000	1,000,000
10	Guma Valley Water Company	GWVC	African Development Bank (AfDB) /1	GWVC, Freetown Wash and Aquatic Environmental Revamping Project (Water & Sanitary Revamping)	2019	UA	UA47,630,000	20-Years	1.5%	UAE35,000.00	1,069,887,000
11	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	CYN	CYN29,450,000	20-Years	2.8%	CYN17,257,600	55,628,064,814
12	Sierra Leone Telecommunications Company Ltd.	SIERRATEL	Exim Bank of China /1	Sierratel Wireless Local Loop Credit Agreement, CNY (Renminb) 115.984,112.7, CDMA	October 2007	USD	\$20,169,000.00	20-Years	2.0%	\$27,063,000.00	620,045,805,600
13	Electricity Distribution and Supply Authority	EDSA	GT Bank (Karazeniz Power ship Utility Grid Infrastructure and Electricity Supply)	To support electricity supply (Letter of Credit, equivalent of US\$7,000,000)	December 2020	USD	\$7,000,000	12 months	25.0%	\$7,000,000	160,378,400,000
						NLe	109,842,000			40,221,203	Nle 837,162,378,617
						USD	27,169,000			34,063,000	\$36,539,438.29
						UA	47,630,000			35,000	
						CNY	29,450,000			17,257,600	

Source: PDMD and FRMD, Ministry of Finance, December 2023

Notes:

/1 These loans were originally contracted by Government of Sierra Leone and on-lent 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 3 below shows that the outstanding loans of Sierra Leone Telecommunications Company (SIERRATEL) (US\$ 29.5 million) and Guma Valley Water Company (US\$0.046 million) account for the bulk of Government on-lent loans to SoEs. The original loans were acquired directly by the GOVERNMENT from external creditors and on-lent to these institutions.

Table 3: SoE Outstanding Loans by Institutions in New Leones Equivalent and US Dollars as (as at end-December 2023)

STATE-OWNED ENTERPRISE	ACRONYM	AMOUNT OUTSTANDING AS AT END-DEC 2023 NLe	Total Amount in USD	% of Total Outstanding Debt
Sierra Leone Airport Authority	SLAA	9,399,000	410	0.00
Sierra Leone Road Transport Corporation	SLRTC	5,000,000	218	0.00
Sierra Leone Postal Services	SALPOST	9,443,000	412	0.00
Electricity Distribution and Supply Authority	EDSA	160,393,779,203	7,000,671	19.16
Sierra Leone National Shipping Company	SLNSC	1,000,000	44	0.00
Guma Valley Water Company	GVWC	1,069,887,000	46,697	0.13
Sierra Leone Telecommunications Company	SIERRATEL	675,673,870,414	29,490,986	80.71
Total		Nle 837,162,378,617	\$36,539,438	100.00
Exchange Rate 14/3/23		22,911.20		

Source: PDMD and FRMD, Ministry of Finance, December 2023

SIERRATEL accounts for 80.71% of the overall SoE debt, followed by the Electricity Distribution and Supply Authority (19.68%), Sierra Leone Postal Services (1.38%), and Guma Valley Company (0.13%).

SIERRATEL borrowed funds to modernize and expand its telecommunications infrastructure, as well as to improve its wireless loop and networks through the CDMA project. These loans were obtained from EXIM Banks of India and China.

The on-lent loan to Guma Valley Water Company was to finance the Freetown WASH and Aquatic Environment Revamping Project.

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

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 loans. During the review period, 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) – The government has entered into a joint venture with a private partner.

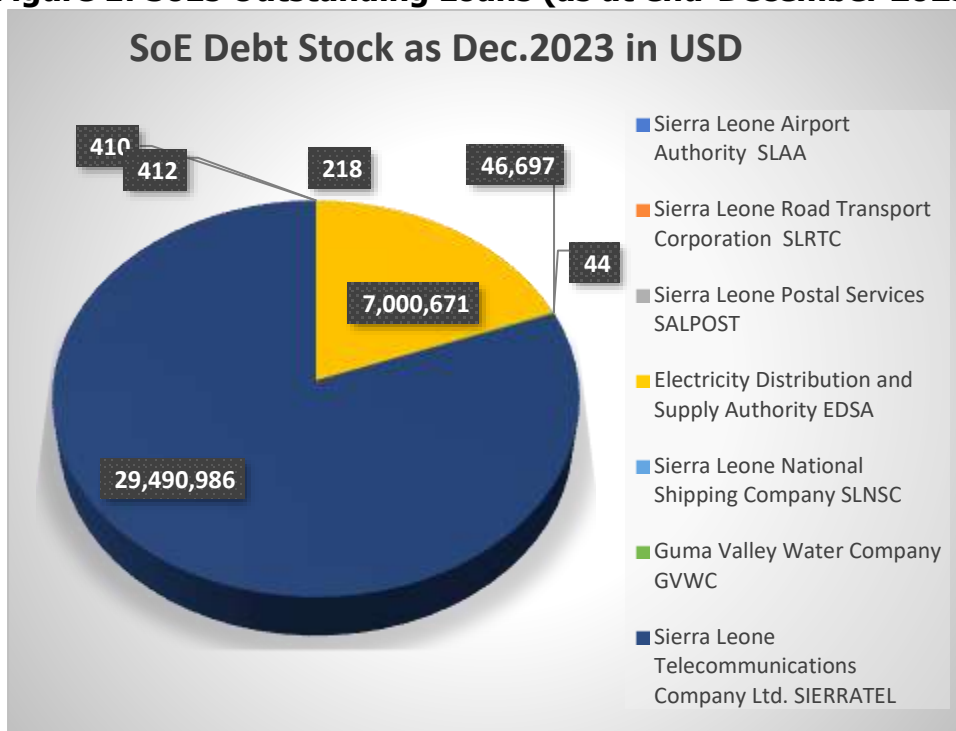
- vi. Sierra Leone Broadcasting Corporation (SLBC)
- vii. Sierra Leone Produce Marketing Company (SLPMC)

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

The government is committed to developing 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;
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 has already been approved by the Cabinet, and the drafting of the bill to replace the NCP Act is in progress.
4. Conduct annual Contingent liability survey and annually publish SOE financial performance report to further strengthen disclosure of fiscal risks.
5. Rolling out the IMF/FAD fiscal risks management assessment tools such as SOE Health Check tool, PFRAM, FRAT, and DGLAT to assess risks emanating from SOEs and other sources.

Figure 1: SoEs Outstanding Loans (as at end-December 2023)



Source: PDMD and FRMD, Ministry of Finance, December 2023

Table 4: Sierra Leone. Information on State-Owned Enterprises/Public Enterprises 31st December 2023

No	NAME	SHORT NAME	SECTOR	GOVERNMENT SHARE HOLDING	CURRENT STATUS
1	Electricity Distribution and Supply Authority	EDSA	Energy	100%	Active
2	Electricity Generation and Transmission Company	EGTC	Energy	100%	Active
3	Guma Valley Water Company	GVWC	Energy	100%	Active
4	Sierra Leone Water Company	SALWACO	Energy	100%	Active
5	Sierra Leone Road Transport Corporation	SLRTC	Transport	100%	Active
6	Sierra Leone Port Authority	SLPA	Transport	100%	Active
7	Sierra Leone Airport Authority	SLAA	Transport	100%	Active
8	Sierra Leone Telecommunication Company Limited	SIERRATEL	Telecommunication	100%	Management Contract
9	Sierra Leone Broadcasting Corporation	SLBC	Information	100%	Active
10	Sierra Leone State Lottery Limited	SLSL	Gaming	100%	Joint Venture
11	National Insurance Company	NIC	Financial Service	100%	Active
12	Sierra Leone Commercial Bank	SLCB	Financial Service	90%	Active
13	Rokel Commercial Bank	RCB	Financial Service	65%	Active
14	Sierra Leone National Shipping Company	SLNSC	Clearing And Forwarding	100%	Active
15	Sierra Leone Housing Corporation	SALHOC	Housing	100%	Active
16	Sierra Leone Postal Services	SALPOST	Postal Services	100%	Active
17	Sierra Leone Produce Marketing Corporation	SLPMC	Agriculture	100%	Active
18	Sierra Leone Cable Company	SALCAB	Information	100%	Management Contract

Source: PDMD and FRMD, Ministry of Finance

Table 5. Sierra Leone. Information on State-Owned Enterprises/Public Enterprises 31st December 2023

No	NAME	SHORT NAME	SECTOR	GOVERNMENT SHARE HOLDING	CURRENT STATUS
1	Electricity Distribution and Supply Authority	EDSA	Energy	100%	Active
2	Electricity Generation and Transmission Company	EGTC	Energy	100%	Active
3	Guma Valley Water Company	GVWC	Energy	100%	Active
4	Sierra Leone Water Company	SALWACO	Energy	100%	Active
5	Sierra Leone Road Transport Corporation	SLRTC	Transport	100%	Active
6	Sierra Leone Port Authority	SLPA	Transport	100%	Active
7	Sierra Leone Airport Authority	SLAA	Transport	100%	Active
8	Sierra Leone Telecommunication Company Limited	SIERRATEL	Telecommunication	100%	Management Contract
9	Sierra Leone Broadcasting Corporation	SLBC	Information	100%	Active
10	Sierra Leone State Lottery Limited	SLSL	Gaming	100%	Joint Venture
11	National Insurance Company	NIC	Financial Service	100%	Active
12	Sierra Leone Commercial Bank	SLCB	Financial Service	90%	Active
13	Rokel Commercial Bank	RCB	Financial Service	65%	Active
14	Sierra Leone National Shipping Company	SLNSC	Clearing And Forwarding	100%	Active
15	Sierra Leone Housing Corporation	SALHOC	Housing	100%	Active
16	Sierra Leone Postal Services	SALPOST	Postal Services	100%	Active
17	Sierra Leone Produce Marketing Corporation	SLPMC	Agriculture	100%	Active
18	Sierra Leone Cable Company	SALCAB	Information	100%	Management Contract

Source: PDMD and FRMD, Ministry of Finance