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Project Fiduciary  
Management Unit –PFMU  
13A Howe Street  
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Sierra Leone

**MINISTRY OF SIERRA LEONE**  
**REQUEST FOR EXPRESSIONS OF INTERESTS**  
**DATE OF ISSUE: 8<sup>th</sup> May 2024**  
**CONSULTANCY SERVICES FOR DRAFTING OF AN INSOLVENCY LEGISLATION FOR**  
**SIERRA LEONE**  
**FIRM SELECTION**  
**SL-MOFED-425990-CS-CQS**

The current Insolvency and Bankruptcy regime in Sierra Leone is weak. Until the Ease of Doing Business Reforms Project was discarded by the World Bank in September 2021, Sierra Leone is ranked 162 out of 190 economies in the World Bank Ease of Doing Business Report, 2020. It is reported that it takes 2.3 years and costs up to 42% of the value of the estate to resolve insolvency claims in Sierra Leone. The strength of the insolvency framework index in Sierra Leone is rated 6 out of an aggregate of 0-16, with an overall Resolving Insolvency Score of 24.7 measured on a scale of 0- 100.

These statistics and data reveal that, the insolvency and bankruptcy regime in Sierra Leone is scrawny and enervated, a situation that has been looming since 2014. There is no doubt that, Sierra Leone’s insolvency and bankruptcy regime is highly fragmented, obsolete and lacks clarity and certainty in scope, jurisdiction, and procedures. Decisions on insolvency issues are often appealed, stayed or overturned by judicial forums having a concurrent or overlapping jurisdiction with each other.

Sound insolvency and creditor/debtor protection regimes are fundamental to robust and diverse modes of financial services, access to finance and financial stability. Well-functioning legal, regulatory, and institutional frameworks for insolvency are crucial for commercial banks and companies to resolve non-performing loans, facilitate business exit as well as reorganization, settle commercial disputes, and collect debts. A systematic approach to debt resolution and insolvency thus strengthens the investment climate and advances economic growth.

Ineffective debt recovery and weak mechanisms for business exit create a higher cost of capital and heightened perception of risk among investors and especially, financial institutions. These issues are even more important for the micro, small and medium enterprises that heavily depend on the adorable access to finance.

At the moment, certain provisions relating insolvency may be found in the Companies Act, 2014, as well as (indirectly) the Bankruptcy Act, 2009. The current court practice for the insolvency proceedings applies the UK Companies (Winding-Up) Rules, 1929 in order to fill-in regulatory gaps. Hence, there is an urgent need to undertake a comprehensive assessment of the existing insolvency and bankruptcy regime with the objective of introducing an effective, efficient, expeditious and predictable mechanism to resolve insolvency and bankruptcy issues in Sierra Leone. Any proposed model should provide for a specialized forum to oversee all insolvency,

bankruptcy and liquidation proceedings for individuals, SMEs and corporates. It must empower all classes of creditors (secured and unsecured lenders, employees, trade creditors, regulatory authorities) to trigger a resolution process in case of non-payment of a valid claim. It must also provide for immediate suspension of the Board of Directors and promoters' powers and provides for an insolvency professional to take control of the corporate debtor.

Further, it must enable a 'stand-still period' which provides stakeholders time to facilitate discussions and arrive at a common resolution rather than running independent processes. Offers a short time (not more than 3 days) limit within which a debtor's viability can be assessed and a resolution process agreed and the power of commercial decision to revive or liquidate the Company is on the creditors, rather than the courts. It should provide for a balanced approach between rehabilitation and recovery and provides for compulsory liquidation of corporate debtors in the event the resolution has not been agreed within 180 days of the resolution process.

Finally, it must provide for a clearly defined waterfall mechanism for payment of debt in the event of a liquidation and should develop a detailed and accessible information system to reduce information asymmetry between the various participants of the insolvency process.

To this end, the Ministry of Trade and Industry under the Sierra Leone Economic Diversification Project seeks to engage a firm to undertake the review of the existing legal regime and the development of a new regime.

## **OBJECTIVES OF THE ASSIGNMENT**

The overall objective of the assignment will be to review the existing legislation (including the existing practices) relating to the insolvency procedures in Sierra Leone, and in consultation with the key stakeholders, draft the necessary new legislation on insolvency, amendments to other related legislation and draft the secondary legislation (rules of procedures, regulations, etc.), as appropriate, to effectively address the existing regulatory gaps in accordance with the best regional and international practices.

Specific objectives of the Assignment will be to:

- 1) Develop an Insolvency legislation that provides an overall framework and concept of insolvency and follows the best regional and international practices;
- 2) Develop the up-to date / modern Insolvency Regulations (Rules and Procedures) to be used by courts, liquidators, creditors and other stakeholders in the implementation the insolvency process;
- 3) Align the fragmented insolvency provisions found in the Companies Act, 2014, Bankruptcy Act, 2009 and other relevant acts;
- 4) Develop (or incorporate in the documents above) regulations and procedures to be applied by the specific stakeholders in the insolvency process like the Corporate Affairs Commission and the Bank of Sierra Leone (Sierra Leone Collateral Registry, etc.).
- 5) Develop (or incorporate in the documents above) the simplified insolvency proceedings available and easily accessible to micro, small and medium enterprises in accordance with the international examples and best practices;

- 6) Develop / review existing documents to implement the fast, efficient, transparent and equitable procedures for the liquidation (forced sale) of the assets during insolvency process (timelines, fair-valuation, protection of creditors and their different classes/priorities, etc.).

### **Mode of Application**

The Project Fiduciary Management Unit of Ministry of Finance now invites eligible firms to express their interest in providing the services. The firm should provide information demonstrating having the required relevant qualification and experience for the assignment. The Consulting firm will be selected in accordance with Consultant's Qualification-based Selection method set out in the Consultant Guidelines: Selection and Employment of Consultants under IDA Grants by World Bank Borrowers, (July 2016, Revised November 2017,2018 and fourth edition 2020). The evaluation shall be based on the relevant qualification and experience of the firm for the assignment.

**The detailed Terms of Reference can be requested for at [osmantommy@sledp.info](mailto:osmantommy@sledp.info)**

The expression of interest should be addressed to:

**The Procurement Management Specialist**

Sierra Leone Economic Diversification Project

Ministry of Finance

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Closing Date:

The Closing Date and time for receipt of expressions of interest is **22<sup>nd</sup> May 2024 at 16:00pm.**

**Note: Only the recommended firm will be contacted**