

LOA

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Negotiated on 22nd November, 2016

Subject to Board Approval

**LOAN AGREEMENT
BETWEEN
THE REPUBLIC OF SIERRA LEONE
AND
THE AFRICAN DEVELOPMENT FUND**

**(REHABILITATION AND EXTENSION OF THE BO-KENEMA
DISTRIBUTION SYSTEM)**

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**LOAN AGREEMENT
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**(REHABILITATION AND EXTENSION OF THE BO-KENEMA DISTRIBUTION
SYSTEM)**

PROGRAMME ID No. :

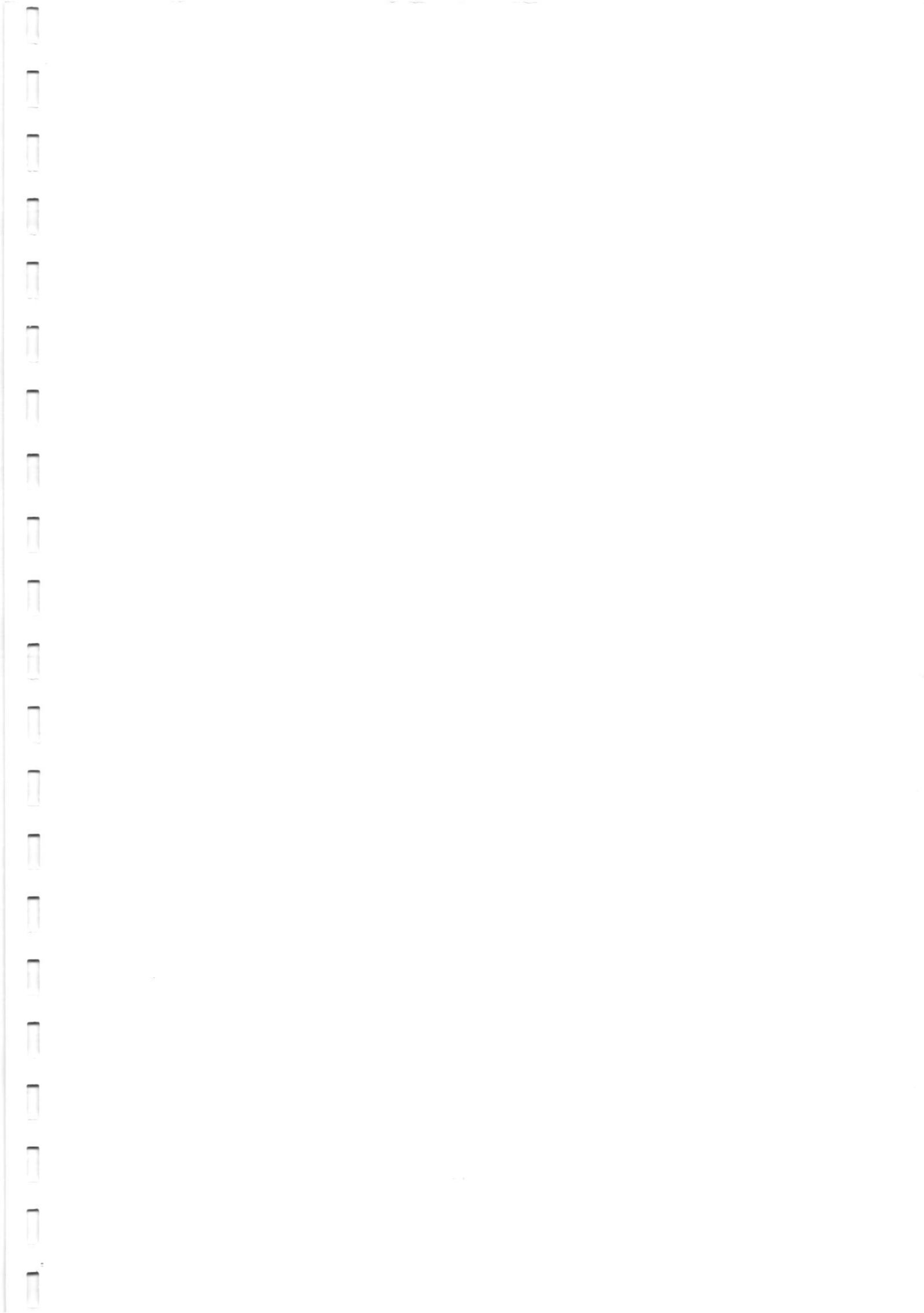
LOAN No. :

This LOAN AGREEMENT (hereinafter called the "Agreement") is entered into this _____ day of _____ 2016 between THE REPUBLIC OF SIERRA LEONE (the "BORROWER") and the AFRICAN DEVELOPMENT FUND (the "FUND"). The Borrower and the Fund shall collectively hereinafter be referred to as the "PARTIES".

1. WHEREAS the Borrower has requested the Fund to support the implementation of the Rehabilitation and Extension of the Bo – Kenema Distribution System Project (hereinafter the "Project") as set out in Annex 1, by providing a Loan to it in the amount specified hereunder;
2. WHEREAS the Borrower has declared its commitment to the execution of the Project;
3. WHEREAS the Ministry of Energy shall be the Executing Agency and the Electricity Distribution and Supply Authority shall be the Implementing Agency for the Project; and

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4. WHEREAS the Fund has agreed on the basis, *inter alia*, of the foregoing to provide a Loan to the Borrower upon the terms and conditions hereinafter set forth;

NOW THEREFORE the PARTIES hereto hereby agree as follows:

ARTICLE I

GENERAL CONDITIONS-DEFINITIONS

Section 1.01. General Conditions. The Parties to this Agreement accept all the provisions of the *General Conditions Applicable to the African Development Fund Loan Agreements and Guarantee Agreements (Sovereign entities)*, (as amended from time to time), (hereinafter called the "*General Conditions*") with the same force and effect as if they were fully set forth herein.

Section 1.02. Definitions. Whenever used in this Agreement, unless the context otherwise requires, the terms defined in the *General Conditions* shall have the meanings therein set forth.

ARTICLE II

THE LOAN

Section 2.01. Amount. The Fund agrees to lend to the Borrower, from the resources of the Fund in various convertible currencies other than the currency of the Borrower, an amount not exceeding the equivalent of Four Million Six Hundred and Twenty-One

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Thousand Units of Account (UA 4, 621,000) (the Unit of Account being defined in Article 1(1) of the *Agreement Establishing the Fund*).

Section 2.02. Purpose. The purpose of the Loan is to finance the Project as described in Annex I and as set out in Annex II of this Agreement.

Section 2.03. Allocation. The Loan shall be allocated to categories of eligible expenditure provided for in Annex II of this Agreement or as may be otherwise determined by the Parties to this Agreement.

Section 2.04. Currency of Disbursements. In accordance with Section 4.04 of the General Conditions:

- (a) All disbursements made by the Fund to the Borrower shall be denominated in United States Dollars;
- (b) Notwithstanding the provisions of Section 2.04 (a), in any case where the Fund shall be unable to access or procure United States Dollars for purposes of the Loan, the Fund shall notify the Borrower immediately after becoming aware of such inability and propose to the Borrower a currency of substitution which shall be either the European Euro, the British Pound Sterling or the Japanese Yen;
- (c) If within sixty (60) calendar days following such notification the Fund and the Borrower cannot agree on a currency of substitution, then the Borrower may cancel that portion of the Loan; and

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- (d) The date of conversion between the United States Dollars and the currency of substitution shall be the date of disbursement of such substitute currency.

ARTICLE III

REPAYMENT OF THE PRINCIPAL, SERVICE CHARGE, COMMITMENT CHARGE AND INTEREST, AND DATES OF PAYMENT

Section 3.01. Repayment of the Principal. Subject to Section 3.05, the Borrower shall repay the principal of the Loan over a period of thirty (30) years, after a ten (10) year grace period commencing from the date of this Agreement at the rate of 2 per cent (2%) per annum from the 11th to the 20th year inclusive and at the rate of four per cent (4%) per annum of the principal thereafter.

Section 3.02. Service Charge. Subject to Section 3.05, the Borrower shall pay a service charge (hereinafter referred to as the "Service Charge") at the rate of three-quarters of one per cent (0.75%) per annum on the principal amount of the Loan disbursed and outstanding from time to time.

Section 3.03. Commitment Charge. The Borrower shall pay a commitment charge (hereinafter referred to as the "Commitment Charge") at the rate of one half of one per cent (0.50%) per annum on the undisbursed portion of the Loan, which shall begin to accrue one hundred and twenty (120) days after the date of signature of this Agreement.

Section 3.04. Dates of Payment. The principal of the Loan shall be repaid in equal and consecutive semi-annual installments, the first of which shall be payable on 15 February or 15 August whichever immediately follows the expiration of the grace

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period referred to in Section 3.01 above. The Service Charge and the Commitment Charge shall be payable semi-annually on the same dates.

Section 3.05. Accelerated Repayment.

- i. The Fund may modify the repayment terms applicable to the principal amount of the Loan disbursed and outstanding in accordance with clauses (ii) or (iii) of this Section 3.05 whenever all of the following events have occurred: (a) the Borrower's per capita gross national income, as determined by the Fund, has exceeded for more than two consecutive years the level established by the Fund for determining eligibility to access the Fund's resources; (b) the Borrower is creditworthy for borrowing from the African Development Bank window; and (c) after due consideration of the development of the Borrower's economy and other relevant country factors, the Board of Directors of the Fund has reviewed and approved modification of the Borrower's loan terms with the Fund.
- ii. The Fund shall, upon the occurrence of the events referred to in clause (i) of this Section 3.05, notify the Borrower of the same and require the Borrower to either:
 - (a) repay twice the amount of each semi-annual installment of the disbursed and outstanding principal amount of the Loan until the Loan has been fully repaid (the "Principal Option"); or
 - (b) while maintaining the maturity of the Loan, increase the Interest applicable to the Loan to a per annum rate agreed with the Fund that would result in the



same level of concessionality as the Principal Option (the "Interest Option");
or

(c) if the applicable Service Charge and Interest under the Interest Option would be greater than the fixed base rate for an African Development Bank sovereign-guaranteed loan, (1) repay an amount agreed with the Fund that is greater than the then applicable semi-annual installment and (2) increase the Interest applicable to the Loan to a per annum rate agreed with the Fund that, combined with the applicable Service Charge, is equal to that of the fixed base rate for a similar African Development Bank sovereign-guaranteed loan (the "Combination Option").

- iii. The Borrower shall notify the Fund within two (2) months following the date of notification as to whether it elects to undertake the Principal Option, the Interest Option or, if applicable, the Combination Option. In the event that the Borrower does not respond within the two-month period, the Fund shall automatically apply the Principal Option.
- iv. The Borrower shall commence such modified repayment as of the first semi-annual payment date, as specified in Section 3.04 above, falling not less than six (6) months after the date on which the Fund notifies the Borrower that the events specified in clause (i) of this Section 3.05 have occurred; provided, however, that in no event shall the Borrower be required to commence such modified repayment prior to the grace period referred to in Section 3.01 above.
- v. If, at any time after the repayment terms have been modified pursuant to clause (i) of this Section 3.05, the Fund determines that the Borrower's economic condition has deteriorated significantly, the Fund may, if so requested by the Borrower, further revise the terms of repayment of the



principal amount of the Loan disbursed and then outstanding and/or the Service Charge to conform to the repayment terms originally provided for in this Agreement, taking into account any repayments already made by the Borrower.

Section 3.06. Prepayment. In the event that the Borrower graduates from being eligible to borrow only from the African Development Fund window, the Borrower and the Fund may agree, but shall be under no obligation to do so, that the Borrower repay, in advance of maturity, the principal amount of the Loan then outstanding in one lump-sum payment on a date agreed between the parties, and the agreement between the Borrower and the Fund may provide a discount on the amount to be prepaid in full satisfaction of the principal amount of the Loan then outstanding.

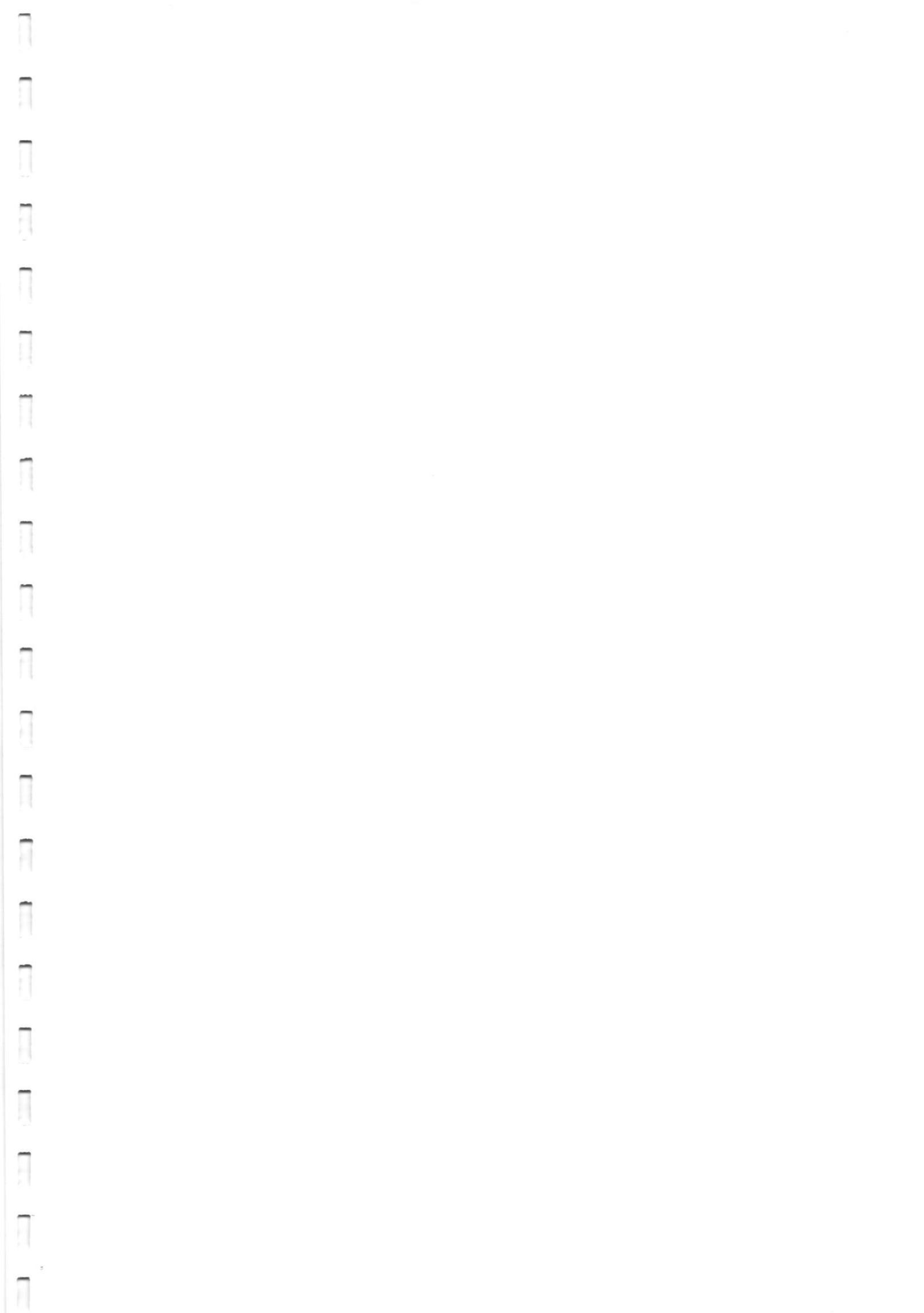
ARTICLE IV
CONDITIONS PRECEDENT TO ENTRY INTO FORCE
AND TO DISBURSEMENT OF THE LOAN

Section 4.01. Conditions Precedent to Entry into Force. The entry into force of this Loan Agreement shall be subject to the fulfillment by the Borrower of the provisions of Section 12.01 of the *General Conditions*.

Section 4.02. Conditions Precedent to First Disbursement of the Loan. The obligations of the Fund to make the disbursement of the Loan shall be conditional upon the entry into force of this Agreement, as provided in Section 4.01 above, and the fulfillment by the Borrower of the following conditions:

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- (i) Provide evidence to the Fund of the Implementing Agency opening a Special Account denominated in United States Dollars in a commercial bank acceptable to the Fund, into which the proceeds of the Grant will be deposited;
- (ii) Provide evidence that a subsidiary financing agreement with terms and conditions acceptable to the Fund, has been executed between the Borrower and EDSA for the purpose of on-lending the proceeds of the loan.

Section 4.03. Undertaking. The Borrower shall:

- (i) Carry out, and cause its contractors to carry out, the Project in accordance with: (a) Bank's rules and procedures; (b) national legislation; and (c) the recommendations, requirements and procedures set forth in the Environmental and Social Management Plan prepared for the Project; and
- (ii) Deliver to the Bank Project quarterly reports in form and substance acceptable to the Bank, describing the Borrower's implementation of the ESMP (including any implementation failures and related remedies, if any).

ARTICLE V
DISBURSEMENTS AND APPLICATION
OF AMOUNTS DISBURSED

Section 5.01. Disbursements. The amount of the Loan shall be disbursed by the Fund, in accordance with the provisions of this Agreement and the *General Conditions*, the

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Fund's Disbursement Handbook and the Disbursement Letter (pertaining to this Project and signed between the Parties) for expenditures required for the execution of the Project.

Section 5.02. Closing date. The closing date shall be **30th June, 2020**, or such later date as shall be agreed between the Borrower and the Fund, is specified for the purposes of Section 6.03 paragraph (1) (f) of the *General Conditions*.

Section 5.03. Application for Disbursement. Amounts disbursed on account of the Loan shall be applied by the Borrower solely for the purposes for which they were disbursed.

ARTICLE VI

PROCUREMENT OF GOODS, WORKS AND SERVICES

Section 6.01. The procurement of works and services shall be carried out in accordance with the Bank's *Procurement Policy for Bank Group Funded Operations*, October 2015 as amended from time to time and as further set out below:

(a) Civil Works

The procurement of civil works shall be carried out using the International Competitive Bidding (ICB) method and using the Bank's Standard Solicitation Documents (SSDs). Works procured under this method, would include: Rehabilitation and Expanding Distribution Networks, Metering and services Lines (New & Existing) and temporary generation will be undertaken using International Competitive Bidding (ICB).

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Section 6.02. Procurement Plan. The Borrower shall prepare a Procurement Plan for the implementation of the Project, which will be subject to approval by the Fund. This Procurement Plan will provide the basis for the procurement methods to be used. The Borrower shall update the Procurement Plan as required to reflect the actual Project implementation needs and improvements in institutional capacity. The Borrower shall implement the Procurement Plan in the manner in which it has been granted approval by the Fund. Any revisions proposed to the Procurement plan shall be submitted to the Fund for prior approval.

Section 6.03. Review Procedures. All contracts for works and services shall be subject to prior review by the Fund.

ARTICLE VII

FINANCIAL MANAGEMENT, REPORTING AND AUDITING

Section 7.01. Financial Management. The Borrower shall, pursuant to Section 9.09 of the General Conditions, cause the Implementing Agency, to keep and maintain separate records and books of account, which shall identify, in accordance with consistently maintained appropriate accounting standards and practices, the activities financed out of the resources of the Loan.

Section 7.02. Reporting. The Implementing Agency will prepare, or cause to be prepared, on a quarterly basis, interim unaudited financial reports to be submitted to the Fund within 30 days of the end of the quarter reported on.



Section 7.03. Audit. The Audit Service Sierra Leone (ASSL) will audit the project directly, or alternatively outsource the audit of the project to an acceptable independent audit firm, selected on terms of reference approved by the Bank. The Implementing Agency will be required to submit to the Bank, the audited project financial statements and associated management letter within six (6) months of the end of each financial year audited.

ARTICLE VIII

MISCELLANEOUS PROVISIONS

Section 8.01. Authorized Representatives. The Minister of Finance and Economic Development of the Borrower, or such other person as the Minister may designate in writing, shall be the authorized representative for the purposes of Section 11.02 of the *General Conditions*.

Section 8.02. Date of the Agreement. For all purposes of this Agreement, the date of this Agreement shall be that appearing in the opening sentence hereof.

Section 8.03. Addresses. The following addresses are specified for the purposes of Section 11.01 of the *General Conditions*.

For the Borrower:

Mail Address:

Ministry of Finance and Economic Development
 Treasury Building
 George Street
 Freetown
REPUBLIC OF SIERRA LEONE

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Tel: +232 22 22 41 42

To the attention of: The Minister of Finance and Economic Development

For the Fund:

Headquarters' Address:

African Development Fund

01 B.P. 1387

Abidjan 01,

REPUBLIC OF CÔTE D'IVOIRE

Tel: (+225) 20.20.44.44/20.20.40.47

Sierra Leone Field Office:

African Development Fund

5th and 6th Floor

Bishop Building

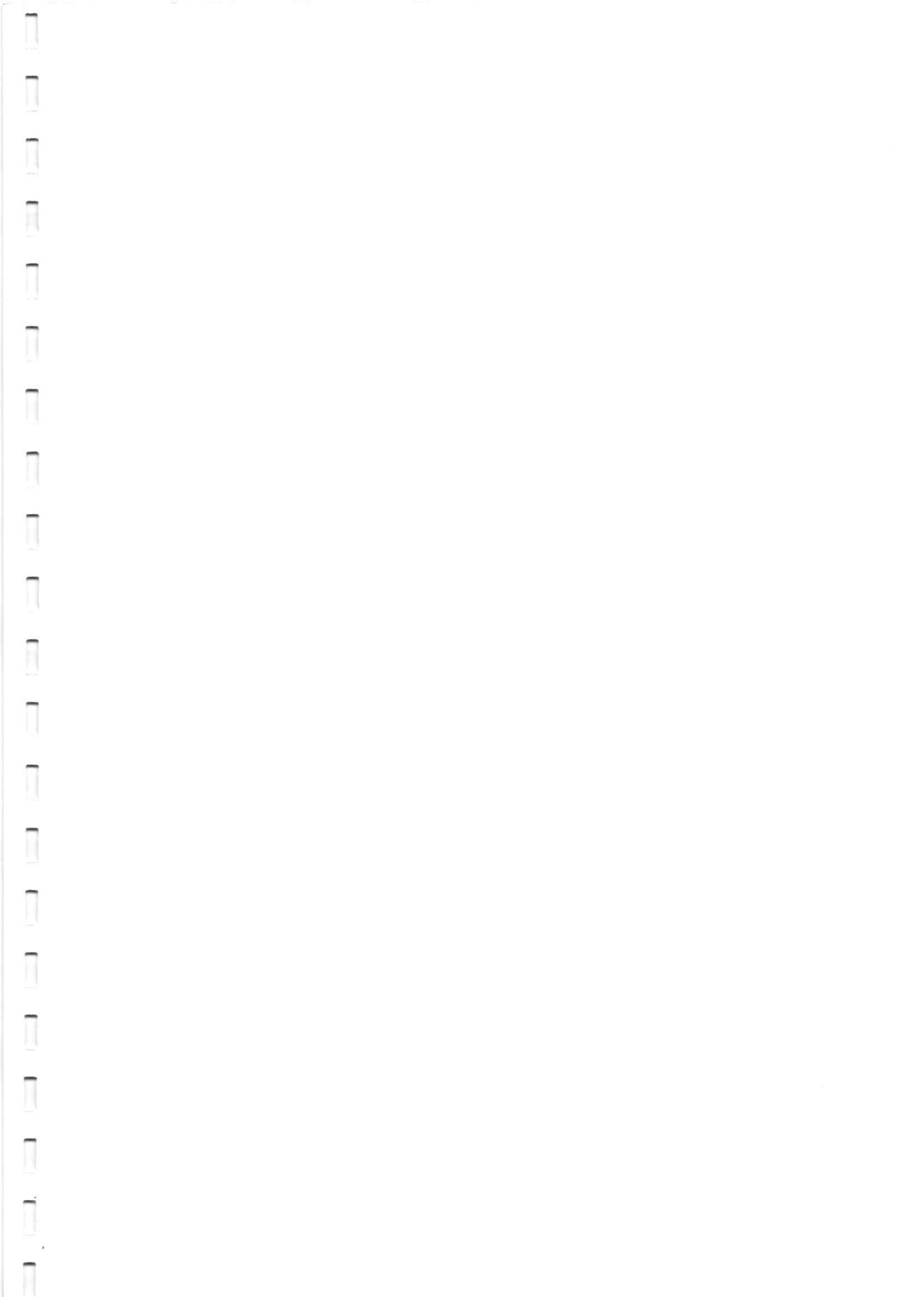
Freetown

REPUBLIC OF SIERRA LEONE

To the attention of: The Resident Representative

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IN WITNESS WHEREOF the Borrower and the Fund, each acting through its authorized representative, have signed this Agreement in two (2) original counterparts in English on the date first above written.

FOR THE REPUBLIC OF SIERRA LEONE

MINISTER OF FINANCE AND ECONOMIC DEVELOPMENT

FOR THE AFRICAN DEVELOPMENT FUND

RESIDENT REPRESENTATIVE
SIERRA LEONE FIELD OFFICE

ATTESTED BY: _____
SECRETARY GENERAL

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ANNEX I
PROJECT DESCRIPTION

The proposed project aims at upgrading and extending the Bo and Kenema distribution network in order to increase its power transfer capacity and increase the reliability and availability of power supply within the Bo-Kenema area of Sierra Leone. More specifically, the project will enable (i) the upgrade and construction of a 70 kilometre (km) overhead 33 kilovolt (kV) double circuit line between Bo and Kenema along with the construction of two primary substations and rehabilitation of 2 city centres 33/11kV substations in Bo and Kenema, (ii) the rehabilitation and expansion of Medium Voltage (MV) and Low Voltage (LV) distribution networks within the two cities, (iii) the implementation of a end-user connection campaign with the objective to connect 37,000 additional households to the grid (iv) the provision of service for preparation of designs and bid documents (v) the provision of capacity building to the Electricity Distribution and Supply Authority (EDSA) relevant stakeholder, and (vi) the provision of temporary generation during the construction works.

The total project cost is estimated at UA 38.08 million of which, the Bank will contribute UA 9.309 million, the Department for International Development (DFID) UA 27.84 million and the Government of Sierra Leone (GoSL) UA 0.93 million. The Bo and Kenema area population, particularly those in rural areas and low income groups, will benefit from this project as well as small businesses. Through the provision of increased electricity access, the project will contribute to improving targeted households' standards of living in terms of education, health and access to information. In addition, the project will help increase the competitiveness of small



businesses and expand their activities.

The Project consists of the following components:

- (i) Rehabilitation and Extension of Distribution Networks (Bo and Kenema);
- (ii) Project Management & Engineering supervision services;
- (iii) Technical assistance and Capacity building; and
- (iv) Temporary generation



ANNEX II
CATEGORIES OF EXPENDITURES
TO BE FINANCED BY THE LOAN

This Annex indicates the categories of expenditure to be financed out of the resources of the loan and the allocation of the resources to the category financed.

	Categories of Expenditure	In UA thousands		
		Foreign Cost	Local Cost	Total Cost
A	Works	3,928	693	4,621
	Total	3,928	693	4,621

