

LOAN AGREEMENT

RICE VALUE CHAIN DEVELOPMENT
PROJECT

BETWEEN

THE REPUBLIC OF SIERRA LEONE

AND

THE ARAB BANK FOR ECONOMIC
DEVELOPMENT IN AFRICA

DATED 20/12/2022



LOAN AGREEMENT

AGREEMENT dated 20 December 2022 between the Republic of the Sierra Leone (hereinafter called "The Borrower") and the Arab Bank for Economic Development in Africa (hereinafter called "BADEA").

WHEREAS:

- (A) The Borrower has requested BADEA to assist in financing the Project described in Annex "II" to this Agreement;
- (B) The Borrower has requested the Islamic Development Bank (hereinafter called the Islamic Bank) to assist in financing the said Project and the Islamic Bank has agreed to provide a Loan in an amount equivalent to about twenty-two million three hundred thousand dollars (\$ 22,300,000) for this purpose;
- (C) The Borrower has agreed to contribute an amount equivalent to about one million eight hundred and thirty thousand dollars (\$1,830,000) for this purpose;
- (D) The purpose of BADEA is to further the economic development of African Countries within the framework of solidarity and mutual interest and thus to strengthen the ties between African States and the Arab Nation;
- (E) BADEA is convinced of the importance and usefulness of the said Project in developing the economy of the Borrower; and
- (F) BADEA has agreed, in view of the foregoing, to grant the Borrower a Loan on the terms and conditions set forth in this Agreement.

NOW, therefore, the parties hereto agree as follows:



ARTICLE I
GENERAL CONDITIONS - DEFINITIONS

Section 1.01 The parties to this Agreement accept all the provisions of the attached General Conditions Applicable to Loan and Guarantee Agreements of BADEA, dated October 28, 1979, as amended up to the date of this Agreement (hereinafter called the "General Conditions") with the same force and effect as if they were fully set forth herein.

Section 1.02 Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings set forth and the following additional terms have the following meanings:

- (A) "The Agreement " means the Agreement referred to in Preamble (B) of this Agreement;
- (B) "The Ministry" means the Borrower's Ministry of Agriculture and Forestry, which will supervise the implementation of the Project;
- (C) "PMU" means the Project Management Unit, which will be responsible for the project implementation;
- (D) "PIU"s means the Project Implementation Units established pursuant to the provision of Section (3.02) of this Agreement and will be directly responsible of the project implementation.



ARTICLE II
THE LOAN

Section 2.01 BADEA agrees to lend to the Borrower the sum of ten million US Dollars (\$ 10, 000,000) on terms and conditions set forth or referred to, in this Agreement.

Section 2.02 The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Annex "A" to this Agreement, or as such Annex may be amended from time to time by Agreement between the Borrower and BADEA, for expenditures made (or if BADEA shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Loan.

Section 2.03 Except as BADEA shall otherwise agree, goods and services required to carry out the Project and financed out of the proceeds of the Loan shall be procured in accordance with the procedure specified in Annex "B" to this Agreement.

Section 2.04 The closing date shall be 30th June 2027 or any other later date approved by BADEA and promptly notified to the Borrower.

Section 2.05 The Borrower shall pay interest at the rate of one per cent and half (1.5%) per annum on the principal amount of the Loan withdrawn and outstanding from time to time.

Section 2.06 Interest and other eventual charges shall be payable semi annually. The dates of payments will be fixed on the basis of the first day of the month following the first withdrawal from the Loan Account.

Section 2.07 The Borrower shall repay the principal of the Loan in forty (40) semiannual installments, as specified in Annex "I" to this Agreement, after a grace period of five (5) years to be calculated from the first day of the month following the first withdrawal from the Loan Account.



ARTICLE III
EXECUTION OF THE PROJECT

Section 3.01 The Borrower shall cause the Project to be carried out by the Ministry (PMU) with due diligence and efficiency and in conformity with appropriate financial, administrative and technical practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for this purpose.

Section 3.02 The Borrower shall cause the Ministry to establish two (PIU)s within the PMU, which will be located at "Torma Boom" in southern region and Kambia in the north-western region and each of them consists of a project coordinator, irrigation engineer, accountant, procurement employee, youth and gender expert, expert in agricultural affairs, monitoring and evaluation expert, social support officer, business development expert, in addition to secretary, two drivers, two cleaning officers and two guards.

Section 3.03 The Borrower shall submit to BADEA for approval the draft programme of implementation of the Project and any material modifications subsequently made therein, in such detail as BADEA shall reasonably request.

Section 3.04 In order to assist the Borrower in the day-to-day supervision of execution of the Project, the Borrower shall employ consultants, whose terms of reference and conditions of employment shall be acceptable to BADEA.

Section 3.05 (a) In addition to the Loan proceeds, and the proceeds of the Agreement, the Borrower shall make available, promptly as needed, all other funds which shall be required for carrying out the Project (including any funds that may be required to meet any increase in cost beyond the estimated cost of the Project at the time of signing this Agreement), all such funds are to be made available on terms and conditions satisfactory to BADEA.

(b) The Borrower shall make adequate annual budgetary allocations to meet its share of the Project's cost as stated in Preamble (C) to this Agreement and shall submit to BADEA evidence to that effect.



Section 3.06 The Borrower shall (1) maintain, or cause the Ministry, to maintain records adequate to identify the goods financed out of the proceeds of the Loan, to disclose the use thereof in the execution of the Project, to record the progress of the execution of the Project and the cost thereof and to reflect, in accordance with consistently maintained sound accounting practices, the operations, resources and expenditures, in respect of the Project, of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof ; (2) afford all reasonable opportunity for accredited representatives of BADEA to make visits for purposes related to the Loan, and to inspect the Project, the goods and any relevant records and documents; and (3) furnish to BADEA all such information as BADEA shall reasonably request concerning the expenditures out of the proceeds of the Loan, the Project , and the goods financed out of such proceeds.

Section 3.07 The Borrower shall insure, or cause to be insured with reputable insurers, or shall make adequate provisions for the insurance of, all imported goods financed out of the proceeds of the Loan against hazards incidental to the acquisition, transportation and delivery thereof to the place of use or installation. This insurance shall be for such amounts, as shall be consistent with sound commercial practices. For such insurance, any indemnity shall be payable in a currency freely usable by the Borrower to replace or repair such goods.

Section 3.08 (a) The Borrower shall furnish, or cause Ministry furnish BADEA with quarterly reports, not later than (45) days after the end of every quarter of each calendar year, of such scope and in such detail as BADEA shall request on the progress of the execution of the Project, including the technical ,financial position and delays in the implementation of Project, if any, and mitigation measures for the delays.

(b) Within six (6) months following the date of completion of the Project, the Borrower shall prepare and furnish, or cause the Ministry to prepare and furnish BADEA with a report, of such scope and in such detail as BADEA shall request, on the execution and initial operation of the Project, its cost and the benefits derived and to be derived from it, and on the accomplishment of the purposes of the Loan.



ARTICLE IV
PARTICULAR COVENANTS

Section 4.01 The Borrower shall, or cause the Ministry to, in respect of the Project, (i) keep separate accounts for the Project, (ii) have these separate accounts for each fiscal year audited in accordance with sound auditing principles consistently applied, by independent auditors acceptable to BADEA, (iii) furnish to BADEA, as soon as available but in any case not later than six months after the end of each such year, (A) certified copies of the said financial statements as so audited and (B) the report of such audit by said auditors, of such scope and in such detail as BADEA shall have reasonably requested, and (iv) furnish to BADEA such other information concerning the Projects' accounts and the Borrower financial statements and the audit thereof as BADEA shall from time to time reasonably request.

Section 4.02 The Borrower undertakes to make available in its budget the financial funds necessary for the maintenance of the civil works of the Project after the completion of its execution.

Section 4.03 The Borrower undertakes to cause the Ministry to continue its efforts to train its staff with emphasis on the construction and maintenance of the civil works of the Project.

Section 4.04 The Borrower undertakes to cause the Ministry to take all necessary mitigation measures for maintaining a sound environment in the Project's area during the implementation, operation and maintenance of the Project; and to provide proof of its compliance with applicable environmental laws and procedures; and, provision of environmental licenses required for the implementation of the Project and annual environmental monitor reports on the Project.

Section 4.05 The Borrower undertakes, during the execution stages of the project, to respect the common principles and practices in the field of transparency and good governance and confirms the application of laws related to combating money laundering and terrorist financing.



ARTICLE V
SUSPENSION AND ACCELERATION OF MATURITY

Section 5.01 For the purposes of Section (8.02) of the General Conditions the following additional events are specified pursuant to paragraph (i) (g) thereof:

- (a) A material change shall have been made in the nature of the Ministry or its management or the law establishing it, which is likely to have a substantial adverse effect on its ability to carry out the Project or operate the facilities included therein;
- (b) The Borrower, or another authority having jurisdiction, shall have taken any action for the dissolution of the Ministry or for the suspension of its operations;
- (c) (i) Subject to sub-paragraph (ii) of this paragraph:
 - (A) the right of the Borrower or the Ministry to withdraw the proceeds of any loan or grant made to the Borrower or the Ministry for financing the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the agreement providing thereof, or
 - (B) any such loan shall have become due and payable prior to the agreed maturity thereof;
- (ii) Sub-paragraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of BADEA that (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower or the Ministry to perform any of its obligations under such agreement, and (B) adequate funds for the Project are available to the Borrower or the Ministry the obligations of the Borrower or the Ministry under that Agreement.



Section 5.02 For the purposes of Section (9.01) of the General Conditions, the following two additional events are specified pursuant to paragraph (g) thereof:

- (a) the events specified in paragraphs (a) and (b) of Section (5.01) of this Agreement shall occur and shall continue for a period of 60 days after notice hereof shall have been given by BADEA to the Borrower;
- (b) subject to sub-paragraph (ii) of paragraph (c) of Section (5.01) of this Agreement, the event specified in Paragraph (c-i-B) of the said section shall occur.



ARTICLE VI
EFFECTIVE DATE - TERMINATION

Section 6.01 This Loan Agreement shall come into force and effect on the date upon which BADEA dispatches by fax or e-mail to the Borrower notice of its acceptance of the evidence required by Section (12.01) of the General Conditions.

Section 6.02 No withdrawal from the Loan Account shall take place unless :-

- a) The "PIU"s have been duly established, in accordance with Section (3.02) of this Agreement, and an evidence to that effect has been provided to BADEA.
- b) The Borrower has provided BADEA with a copy of the signed agreement between the Landowners and the Government permitting the Government to use the land for project development.

Section 6.03 The date 31st March 2023 is hereby specified for the purposes of Section (12.04) of the General Conditions.



ARTICLE VII
REPRESENTATIVES OF THE BORROWER - ADDRESSES

Section 7.01 The Ministry of Finance is designated as Representative of the Borrower for the purposes of Section (11.03) of the General Conditions.

Section 7.02 The following addresses are specified for the purposes of Section (11.01) of the General Conditions:

For the Borrower:

The Ministry of Finance
Treasury Building , George Street
Freetown-Republic of Sierra Leone
Tel: (233) 222211/225826
Fax: (233) 228472/225826
E-Mail: jjisaffa@yahoo.co.uk

For BADEA:

The Arab Bank for Economic Development in Africa (BADEA)
P. O. Box 2640
Post Code Khartoum 11111,
Republic of Sudan
Fax: (249-183) 770498 - 770600
Tel.: (249-183) 773709 - 773646
E-mail: badea@badea.org

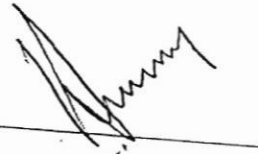


IN WITNESS whereof, the parties hereto acting through their Representatives thereto duly authorized, have caused this Agreement to be signed in their respective names in Khartoum as of the day and year first above written.

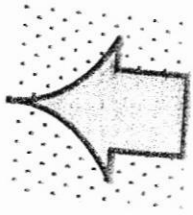
THIS AGREEMENT is drawn in Arabic and English. The English text conforms with the Arabic text. The Arabic text is the authentic text.

The Republic of Sierra Leone

By :

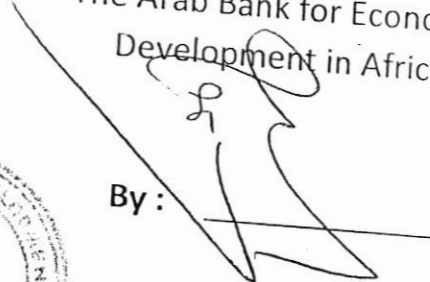


Dennis K. Vand
Minister of Finance



The Arab Bank for Economic
Development in Africa

By :



DR. Sidi Ould TAH
Director General



ANNEX " I "
AMORTIZATION SCHEDULE
RICE VALUE CHAIN DEVELOPMENT PROJECT
THE REPUBLIC OF SIERRA LEONE

| <u>INSTALLMENTS</u> | <u>PAYMENT OF PRINCIPAL</u> <u>(EXPRESSED IN US\$)</u> |
|---------------------|---|
| 1. | 215,000.00 |
| 2. | 217,000.00 |
| 3. | 219,000.00 |
| 4. | 220,000.00 |
| 5. | 222,000.00 |
| 6. | 223,000.00 |
| 7. | 225,000.00 |
| 8. | 227,000.00 |
| 9. | 229,000.00 |
| 10. | 230,000.00 |
| 11. | 232,000.00 |
| 12. | 234,000.00 |
| 13. | 235,000.00 |
| 14. | 237,000.00 |
| 15. | 239,000.00 |
| 16. | 241,000.00 |
| 17. | 243,000.00 |
| 18. | 244,000.00 |
| 19. | 246,000.00 |
| 20. | 248,000.00 |
| 21. | 250,000.00 |
| 22. | 252,000.00 |
| 23. | 254,000.00 |
| 24. | 256,000.00 |
| 25. | 258,000.00 |
| 26. | 260,000.00 |
| 27. | 261,000.00 |
| 28. | 263,000.00 |
| 29. | 265,000.00 |
| 30. | 267,000.00 |
| 31. | 269,000.00 |
| 32. | 271,000.00 |
| 33. | 273,000.00 |
| 34. | 275,000.00 |
| 35. | 278,000.00 |
| 36. | 280,000.00 |
| 37. | 282,000.00 |
| 38. | 284,000.00 |
| 39. | 286,000.00 |
| 40. | 290,000.00 |



ANNEX "II"
DESCRIPTION OF THE PROJECT

The General objective of the project: The project aims to contribute to the achievement of Goal No. 1 of the Sustainable Development Goals related to the eradication of poverty and Goal No. 2 related to ending hunger, this is to improve the social and economic conditions of the population. It also contributes to the achievement of Goal No. 8 related to decent work and inclusive economic growth for all.

Specific Project Objectives: The project specifically aims to increase agricultural productivity in the project area from 1 ton/ha to 3 ton/ha, improve incomes for farmers, develop rural areas, improve efficiency of irrigation systems and access agricultural inputs and technology. The project also aims to increase income in the project area by 25%, establish 9 small and medium enterprises, and create about 2,000 new jobs.

The project will improve rice production and productivity in the project area by investing in irrigation infrastructure and other production and productivity related activities. It will also help improve market access by investing in rural roads and some market-related infrastructure. In the upstream links of the value chain, the project contributes to support institutions for seed research, seed production and certification. The project also contributes to providing access to financing along the chain, especially at the farm level.

The project includes the following components:

1. **Improving production and productivity:** This component will cover the cost of activities related to improving the factors that directly affect the increase in rice production, including:
 - a. Construction, supply and installation of small irrigation systems (water outlets, pumps, pipes, farm irrigation canals, etc.).
 - b. Preparing the lands before the planting season: Through this activity, agricultural machinery will be used to prepare the lands for the agricultural season, in order to educate farmers about farming mechanisms that will save time and effort and increase productivity.
 - c. Supplying high quality agricultural inputs including improved seed varieties, high quality fertilizers and agrochemicals
 - d. Facilitating farmers' access to microfinance for the purpose of purchasing agricultural inputs.



- e. Support extension services including farmer training, field demonstrations and plant health activities.
2. **Strengthening market connectivity:** The component focuses on strengthening the linkages of farmers and offtakers to markets and includes:
- a. Rehabilitating two local markets and supplying two boats to cross the river.
 - b. Rehabilitation of storage and processing facilities including: 3 storage buildings and their drying floors, one of the existing peeling facilities, and the supply of one boiling machine and 9 dehusking equipment.
 - c. Construction/rehabilitation of 35 km of rural roads.
 - d. Facilitating access to finance for 70 small and medium enterprises (women and youth)
3. **Project management and coordination support, including:**
- a. Consulting services for preparing detailed designs for civil engineering works and tender documents, supervising their implementation, studying the market, studying soil fertility, and preparing project completion report.
 - b. Supporting the project implementation units, including: salaries, vehicles, construction of offices in Freetown, Torma Boom and Kambia, and supplying furniture and equipment.
 - c. Operational costs of project implementation units and project audit costs.
 - d. Workshops and regional activities including the start-up workshop, annual monitoring and evaluation workshops, mid-term evaluation workshop and technical support for the national and regional steering committees and covering their expenses.
 - e. Establishment of a Microfinance Support and Consulting Unit: It will be established under the roof of "Apex Bank" to monitor the technical development of partner financial institutions in developing and improving their financial products that are compatible with the provisions of Islamic Sharia.
4. **Institutional and Policy Support:** This component will provide technical support to farmers and institutions working in the field and will also contribute to the agricultural census to help establish an accurate and sound agricultural database to facilitate sound planning, studies and informed decision-making. It includes:
- a. Support institutions involved in seed research, multiplication and certification, which include the Sierra Leone Agricultural Research Institute (SLARI), the Seed Multiplication Project



(SMP) and the Sierra Leone Seed Certification Agency (SLeSCA) under the Ministry of Agriculture and Forestry.

- b. Capacity development, including the formation and strengthening of farmers' groups, training of women's and youth groups, and agricultural study tours.
 - i. Introducing advanced digital solutions to provide real-time information to farmers about weather, agricultural extension and the market
 - ii. Information technology-based monitoring and evaluation systems, including a geo-database system.

It is expected that the preparation of detailed studies, the tendering of works and the selection of the contractor will take about 10 months to end by be selected by October 2023. It is expected that the actual implementation of the works financed by BADEA will take about 27 months to be completed in January 2026.



ANNEX "A"
GOODS AND SERVICES TO BE FINANCED AND
ALLOCATION OF PROCEEDS OF BADEA LOAN

- 1- The following table shows the goods and services to be financed out of the proceeds of the loan and the loan amount allocated to each category:

| Category | Amount Allocated (expressed in US \$) | % of Expenditures of Total Cost to be Financed |
|--|---------------------------------------|--|
| 1. Improving production and productivity | 6.870.000 | |
| 1-1 Construction, supply and installation of small irrigation systems | 5.910.000 | %37.0 |
| 1-2 Preparing the lands before the planting season | 240.000 | %100 |
| 1-3 Support extension services | 720.000 | %100 |
| 2. Strengthening market connectivity | 1.750.000 | |
| 2-1 Construction/rehabilitation of 35 km of rural roads | 1.750.000 | %100 |
| 3. Project management and coordination support | 520.000 | |
| 3-1 Supporting the PIUs (construction and equipping of offices in Freetown and Torma Boom) | 470.000 | %100 |
| 3-2 Workshops and regional activities (project launching workshop) | 50.000 | %100 |
| 4. Unallocated | 860.000 | |
| Total | 10.000.000 | |

- 2- Unless otherwise agreed by BADEA, the financed percentage of the above-mentioned categories shall not exceed the percentage shown opposite each of those categories.
- 3- BADEA may, by notice to the Borrower (i) reallocate any amount from category [4] (Unallocated) to any other of the categories [1] to [3] to the extent that such amount is required to meet expenditures under such other category; and (ii) reallocate any amount from any of the categories [1] to [3] to any of the categories [1] to [3] to the extent that such amount is no longer required to meet expenditures under such category but is required to meet expenditures under that other category.

