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EXECUTION VERSION

NUMBER G2420-SL

INDEMNITY AGREEMENT

(SIERRA LEONE - WESTERN AREA POWER GENERATION PROJECT)

between

REPUBLIC OF SIERRA LEONE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated January 23 2017

PARLIAMENT LIBRARY
TOWER HILL

NUMBER G2420-SL

INDEMNITY AGREEMENT

THIS AGREEMENT, dated January 23 2017 between **REPUBLIC OF SIERRA LEONE** (the "***Member Country***") and the **INTERNATIONAL DEVELOPMENT ASSOCIATION** (the "***Association***") (the "***Indemnity Agreement***") in connection with the Guarantee Agreement (the "***Guarantee Agreement***") on or around the same date hereof between the Association and Societe General (the "***Beneficiary***") for the project described in the Schedule 1 to this Agreement (the "***Project***").

The Member Country and the Association therefore hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The provisions of the General Conditions (as defined in the Appendix to this Agreement) set forth in Section II of the Appendix to this Agreement constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in Section I of the Appendix to this Agreement.

ARTICLE II

Indemnity by Member Country to the Association; Opinion

Section 2.01. In consideration of the Association providing the Guarantee on the terms and conditions set out in the Guarantee Agreement, the Member Country hereby irrevocably and unconditionally agrees:

(a) to reimburse the Association immediately on demand or as the Association may otherwise direct in writing for any amount paid by the Association under the Guarantee Agreement together with interest thereon at the rate per annum determined by the Association and notified to the Member Country (which rate shall not exceed the Bank's highest prevailing lending rate for loans with a fixed spread denominated in the Payment Currency, as may be shown from time to time on the Bank's external website) from the date such payment is made by the Association until such amount is reimbursed in full;

(b) to indemnify the Association on demand and hold the Association harmless against all actions, proceedings, liabilities, claims, losses, damages, costs and expenses brought against, suffered or incurred by the Association directly or indirectly in relation to or arising out of or in connection with the Guarantee Agreement (except as otherwise provided in Section 7.03(i) of the General Conditions); and

(c) that the obligations of the Member Country under this Agreement will not be affected by any act, omission, matter or thing which, but for this Section, would reduce, release or prejudice any of its obligations under this Agreement; and

(d) in the event that the Association receives funds from the Member Country pursuant to Section 2.01(a) and, in respect of the same amounts, the Association receives a refund of funds from the Beneficiary pursuant to the Guarantee Agreement or receives funds as a result of the exercise of the Association's subrogation rights under the Guarantee Agreement (the "***Double Payment***"), then the Association shall promptly refund to the Member Country the amount of the Double Payment together with any interest payments received pursuant to the Guarantee Agreement by the Association from the Beneficiary in respect of such Double Payment.

Section 2.02. Any payment required to be made by the Member Country pursuant to the terms of this Agreement shall be applied first, to pay all interest and other charges due to the Association and second, after such interest and other charges are paid, to pay all other amounts then due to the Association under this Agreement.

Section 2.03. The Member Country shall furnish to the Association an opinion or opinions satisfactory to the Association of counsel acceptable to the Association or, if the Association so requests, a certificate satisfactory to the Association of a competent official of the Member Country, showing the following matters: (a) that this Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Member Country and is legally binding upon the Member Country in accordance with its terms; and (B) any other matter reasonably requested by the Association in connection with this Agreement or the Project. The Member Country acknowledges that the receipt by the Association of such opinion, opinions or certificate will be a condition to the effectiveness of the Guarantee Agreement.

ARTICLE III

Project

Section 3.01. The Member Country declares its commitment to the objectives of the Project.

Section 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, the Member Country shall undertake the obligations with respect to the Project set forth in the Schedule 2 to this Agreement.

ARTICLE IV

Remedies

Section 4.01. In addition to the other remedies available to the Association under development credit and financing agreements between the Association and the Member Country, in the event that:

(i) (x) the Member Country has failed to perform any of its obligations under Article III of this Agreement, or (y) any relevant Public Sector Entity has failed to perform any of its obligations under the Relevant Project Document(s) to which such Public Sector Entity is a party and the Member Country has failed to cause such Public Sector Entity to perform such obligations, and, in either case, such Member Country failure has continued and remained

uncured in the opinion of the Association for sixty (60) days or more after notice thereof shall have been given to the Member Country by the Association; or

(ii) any representation made by the Member Country in or pursuant to this Agreement, or any representation or statement furnished by the Member Country and intended to be relied on by the Association in providing the Guarantee, shall in the opinion of the Association have been incorrect in any material respect,

then the Association may suspend or cancel in whole or in part the Member Country's right to make withdrawals under any credit or grant under any development credit agreement or financing agreement between the Association and the Member Country, or declare the outstanding principal and interest of any such credit due and payable immediately.

ARTICLE V

Effective Date

Section 5.01. This Agreement shall come into force and effect upon signature by the parties.

ARTICLE VI

Representative; Addresses

Section 6.01. The Member Country's Representative is its minister responsible for finance.

Section 6.02. The Member Country's Address is:

Ministry of Finance and Economic Development
Treasury Building
George Street
Freetown, Sierra Leone
Facsimile: 232 22 229 060; 228 472

Section 6.03. The Association's Address is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Attention: Vice President, Africa Region

Facsimile: +1-202-522-3436

With a copy to: Practice Manager
Guarantees (Financial Solutions)
Energy & Extractives Global Practice

Facsimile: +1-202-522-0761

AGREED as of the day and year first above written.

REPUBLIC OF SIERRA LEONE

By: _____
Authorized Representative

Name (printed): Mamadu L. KARGBO

Title: MINISTER OF FINANCE & ECO. DEV.

[Signature Page for Indemnity Agreement]

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: Henry Kerali
Authorized Representative

Name (printed): Henry Kerali

Title: Country Director for Sierra Leone

[Signature Page to Indemnity Agreement]

SCHEDULE 1

Project Description

The objectives of the Project are to increase the power generated by independent power producers (IPPs) and mobilize private capital.

The Project consists of the development, financing, design, construction and operation of a green-field thermal power plant located at the Kissy Industrial site to the east of Freetown running on Heavy Fuel Oil (HFO) on a build-operate-transfer basis by private sponsors and will include:

(i) the installation of reciprocating engines using HFO;

(ii) HFO storage tanks and water treatment facilities at the Kissy site;

(iii) a new 33 kV indoor substation at the Kissy site;

(iv) reinforcement of the 8 km 33 kV transmission from Blackhall road to the Wellington substation to enhance evacuation capacity from the generation facility;

(v) installation of additional 33/11kV transformers at the Blackhall road, Ropotee, and Wellington substations; and

(vi) construction of an approximately 1.3 km fuel pipeline and associated pumping station from a new jetty for the landing of the HFO to the Kissy site.

SCHEDULE 2

Project Undertakings

1. The Member Country hereby undertakes to the Association to punctually perform all of its obligations under the Relevant Project Documents to which it is a party and to take all lawful action within its power to cause each relevant Public Sector Entity to punctually perform all of its obligations under the Relevant Project Documents to which such Public Sector Entity is a party.

2. The Member Country shall notify the Association prior to agreeing to any material amendment, waiver, termination or other change to the Relevant Project Document to which the Member Country is a party, and shall obtain the written consent of the Association prior to agreeing to any amendment, waiver, termination or other change to such agreement or undertaking which would or could in the opinion of the Association materially affect the rights or obligations of the Association under the Guarantee Agreement or any Relevant Project Document (including any assignment, transfer, novation, abrogation, granting of security over or other disposition of any rights or obligations under such agreements) to which the Member Country is a party.

3. The Member Country shall promptly: (i) notify and provide to the Association copies of any notices, claims, demands, reimbursements or recoveries received under the Relevant Project Document to which it is a party, or any other notices issued or received by the Member Country under the other Relevant Project Documents that could result or relate to actions to enforce the payment of the Guarantee; and (ii) notify the Association of any event or circumstance which would or could adversely affect the Member Country's ability to perform its obligations or exercise its rights under the Relevant Project Document to which it is a party.

4. The Member Country shall take all lawful actions within its power to remedy and cure any event within the Member Country's control or responsibility that would or could result in the breach or termination of any of the Relevant Project Document to which it is a party.

5. The Member Country shall not create or permit to exist or occur and shall take all lawful actions within its power to ensure that no Public Sector Entity shall create or permit to exist or occur, any circumstance, or change in the laws or regulations in effect in the Member Country after the date of this Agreement that would render obligations under the Relevant Project Documents illegal, invalid, unenforceable, ineffective or void in whole or in part. If such circumstance or change exists or occurs, the Member Country shall take all lawful actions within its power to remedy and cure or to procure that the appropriate Public Sector Entity remedies and cures, the adverse effect on the Project of such circumstance or change in law or regulation.

6. The Member Country shall:

(a) take all actions that shall be necessary on its part and take all lawful actions within its power to procure that any other Public Sector Entity takes all actions necessary on its part to enable the Project Company to obtain any authorization for the Project required under the Relevant Project Documents;

(b) carry out promptly, and take all lawful actions within its power to cause any other Public Sector Entity to carry out promptly, or as may otherwise be agreed between the Member Country and the Association, any action required to be performed by it or such Public Sector Entity to enable it or the Project Company to comply with the requirements of the Relevant Project Documents, including the Performance Standards, the Action Plan, the S&EA and S&E Management System; and

(c) not take, and shall take all lawful actions within its power not to cause or permit any other Public Sector Entity to take, any action that would prevent or interfere with the performance by the Project Company of any of its obligations in connection with the Project or under the Relevant Project Document or any other agreement related to the Project;

(d) not:

(i) dissolve, disestablish, or suspend the operations of EDSA; or

(ii) change its ownership or control of EDSA from that existing at the date of this Agreement (except, for the avoidance of doubt, any sale, transfer or assignment by the Member Country of any voting interest in EDSA's share capital that would not result, directly or indirectly, in the Member Country's loss of its ability to elect or appoint a majority of EDSA's board of directors (or equivalent body), or its ability to direct the management or policies of EDSA;

(e) act (and cause all relevant Public Sector Entities to act) in a manner consistent with the terms of, or achievement of the objectives expressed in, the Sector Policy Letter;

(f) keep (and cause all relevant Public Sector Entities to keep) the Association informed on the progress of any actions or measures set out in the Sector Policy Letter, and discuss and agree with the Association any remedial measures to be taken in the event of delay or failure to comply with, or achieve the objective of, the Sector Policy Letter; provided that in relation to (i) a judicial or quasi-judicial body or authority, (ii) the Auditor General of Sierra Leone, or (iii) the Audit Service of Sierra Leone, the Member Country obligation in this paragraph (f) shall be deemed to be limited to the extent the Member Country is legally able to do so;

(g) consult (and cause all relevant Public Sector Entities to consult) with the Association prior to taking any action that is contrary to, or otherwise inconsistent with, the terms and overall objectives of the Sector Policy Letter, if such action would or could materially affect the Project or the rights or obligations of the Association under the Guarantee Agreement or any Transaction Documents; and

(h) without prejudice to Sections 4.10 (*Cooperation and Consultation*) and 5.01 (*Financial and Economic Data*) of the General Conditions, upon request, promptly provide (and cause all relevant Public Sector Entities to provide) the Association with all information necessary, in the reasonable opinion of the Association, for the Association's review of the Member Country's performance of its obligations under this Schedule, including in respect of the Sector Policy Letter.

7. The Member Country (i) affirms to the Association that no Sanctionable Practices have been engaged in by any official or representative of the Member Country or any Public Sector Entity; and (ii) covenants that neither it nor any Public Sector Entity shall engage in Sanctionable Practices; during and with respect to the performance of any contract or activity related to the Project.

8. Without prejudice to Sections 4.10 and 5.01 of the General Conditions, the Member Country shall, upon request, promptly provide the Association all information necessary, in the reasonable opinion of the Association, for the Association's review of the Member Country's performance of its covenants pursuant to this Schedule.

APPENDIX

Section I. Definitions

1. "***Action Plan***" means the plan or plans developed by the Project Company setting out specific social and environmental measures to be undertaken by the Project Company, to enable the Project to be constructed, equipped and operated in compliance with the Performance Standards, as such Action Plan may be amended or supplemented from time to time.

2. "***Anti-Corruption Guidelines***" means the "Anti-Corruption Guidelines for World Bank Guarantee and Carbon Finance Transactions" set forth in Section III of this Appendix.

3. "***EDSA***" means the Electricity Distribution and Supply Authority, the body corporate established under the National Electricity Act, 2011.

4. "***General Conditions***" means the "International Development Association General Conditions for Credits and Grants", dated July 31, 2010, with the modifications set forth in Section II of this Appendix.

5. "***Guarantee***" means the guarantee provided by the Association pursuant to the Guarantee Agreement.

6. "***Public Sector Entity***" means:

   (a) EDSA;

   (b) the Government of the Member Country, the Parliament of the Member Country, any governmental department or ministry, agency, body, (including any state-owned company or other state-owned entity) instrumentality or public authority, whether national, state, regional or local (or any subdivision thereof), or any other entity subject to the overall control or direction as to matters of policy of the Government of the Member Country or which is otherwise controlled by the Government of the Member Country;

   (c) any court in the Member Country with jurisdiction over the Project Company or the Project or any part thereof; or

   (d) any other person in the Member Country having or asserting authority to issue a license, approval or consent required or necessary in connection with the Project, or otherwise having jurisdiction over any aspect of the Project.

7. "***Performance Standards***" means the World Bank Performance Standards for Private Sector Activities as approved by the Association's Board of Executive Directors on June 26, 2012, WBG Environmental Health and Safety Guidelines for Thermal Power Plants dated December 2008.

8. "***Project Company***" means CECA SL Generation Limited, a company incorporated under the laws of the Republic of Sierra Leone.

9. "***Relevant Project Document***" means:

   (a) this Agreement;

(b) the Power Purchase Agreement entered into or to be entered into between the Project Company (as generator) and CEC Africa (Sierra Leone) Limited (as shareholder), *on the one hand*; and the Member Country, acting through the Ministry of Finance and Economic Development and the Ministry of Energy, and EDSA, *on the other*, in respect of the Project;

(c) the Guarantee Agreement;

(d) the Cooperation Agreement between IDA and EDSA dated on or around the date hereof in respect of the Project;

(e) the Reimbursement and Credit Agreement dated on or around the date hereof between the Member Country and EDSA, *on the one hand;* and Societe Generale, *on the other*, in respect of the PPA;

(f) the Project Agreement dated on or around the date hereof between IDA and the Project Company in respect of the Project;

(g) the letter of credit, which is covered by the Guarantee, issued at the request of the Member Country and EDSA in favor of the Project Company as security for certain payment obligations under the PPA; and

(h) any other material document related to the Project and to which the Member Country or a Public Sector Entity is a party or has issued.

10. "***S&EA***" means the social and environmental assessment, dated December 9 2015 prepared by the Project Company in accordance with the Performance Standards.

11. "***S&EA Management System***" means the Project Company's social and environmental management system enabling it to identify, assess and manage Project risks on an ongoing basis.

12. "***Sector Policy Letter***" means the letter dated June 1, 2016 signed by the Honorable Minister of Energy, Henry O. Macauley, and the Honorable Minister of Finance and Economic Development, Momodu L. Kargbo, of the Government of the Republic of Sierra Leone addressed to the Country Director for the Association, Mr. Kerali, with reference "*Letter from the Government of Sierra Leone Policy to Ensure Financial and Operational Sustainability in the Electricity Sector*," and attached as Annex 1 to this Agreement.

13. "***Sanctionable Practices***" means any Corrupt Practice, Fraudulent Practice, Coercive Practice, Collusive Practice or Obstructive Practice, as those terms are defined and interpreted in accordance with the Anti-Corruption Guidelines.

Section II. General Conditions

The following provisions of the General Conditions, with the modifications set forth below, constitute an integral part of this Agreement:

1. Article I.

2. Sections 3.06, 3.07, 3.09 and 3.10.

3. Sections 4.10, 4.11 and 4.12.

4. Article V.

5. Article VII.

6. Section 9.01, modified by deleting at the beginning of the second sentence the words "Except as otherwise provided in Section 8.03(a)."

7. Section 9.02, modified by deleting the words "(and the representative designated by the Project Implementing Entity in the Project Agreement)" and "(or the Project Implementing Entity, as the case may be)."

8. Section 9.03, modified by deleting the words "and the Project Implementing Entity."

9. Sections 9.04 and 9.05.

10. Paragraphs 5, 6, 7, 8, 17 and 18 of the Appendix.

11. Paragraphs 22 and 23 of the Appendix.

12. Paragraph 25 of the Appendix, modified to read as follows:

    (i) ""Financing" means the amounts payable by the Member Country under this Agreement."

13. Paragraph 27 of the Appendix, modified to read as follows:

    (i) ""Financing Agreement" means the indemnity agreement between the Member Country and the Association pertaining to the Guarantee, as such agreement may be amended form time to time. "Financing Agreement" includes these General Conditions as applied to this Agreement, and all appendices, schedules and agreements supplemental to this Agreement.

14. Paragraph 28 of the Appendix, modified by deleting the words "including (but not limited to) any amount of the Withdrawn Credit Balance, the Service Charge, the Commitment Charge, and any refund of the Withdrawn Grant Amount payable by the Recipient."

15. Paragraph 32 of the Appendix, modified to read as follows:

    (i) ""Legal Agreement" means this Agreement."

16. Paragraph 35 of the Appendix.

17. Paragraph 39 of the Appendix, modified by deleting the words "for which the Financing is granted."

18. Paragraph 40 of the Appendix, modified to read as follows:

(i) ""Project Agreement" means the cooperation agreement entered into or to be entered into between the Association and EDSA in connection with the Guarantee, as the same may be amended from time to time in accordance with its terms. "Project Agreement" includes these General Conditions as applied to the Project Agreement, and all appendices, schedules and agreements supplemental to the Project Agreement"

19. Paragraph 41 of the Appendix, modified to read as follows:

(i) ""Project Implementing Entity" means EDSA which is a party to the Project Agreement."

20. Paragraph 45 of the Appendix, modified by deleting the words "and to which the Financing is extended."

21. Paragraphs 46, 47, 51, 52, 53 and 54 of the Appendix.

Section III. Anti-Corruption Guidelines for World Bank Guarantee and Carbon Finance Transactions

The purpose of these Guidelines is to clarify the meaning of the terms "Corrupt Practices," "Fraudulent Practices," "Coercive Practices," "Collusive Practices" and "Obstructive Practices" in the context of World Bank project-based guarantee operations and carbon finance transactions, where the World Bank, as trustee of a carbon fund, purchases emission reductions under an emission reductions purchase agreement.

1. CORRUPT PRACTICES

A "Corrupt Practice" is the offering, giving, receiving or soliciting, directly or indirectly, of anything of value to influence improperly the actions of another party.

INTERPRETATION

A. Corrupt practices are understood as kickbacks and bribery. The conduct in question must involve the use of improper means (such as bribery) to violate or derogate a duty owed by the recipient in order for the payor to obtain an undue advantage or to avoid an obligation. Antitrust, securities and other violations of law that are not of this nature are excluded from the definition of corrupt practices.

B. It is acknowledged that foreign investment agreements, concessions and other types of contracts commonly require investors to make contributions for bona fide social development purposes or to provide funding for infrastructure unrelated to the project. Similarly, investors are often required or expected to make contributions to bona fide local charities. These practices are not viewed as Corrupt Practices for purposes of these definitions, so long as they are permitted under local law and fully disclosed in the payor's books and records. Similarly, an investor will not be held liable for corrupt or fraudulent practices committed by entities that administer bona fide social development funds or charitable contributions.

C. In the context of conduct between private parties, the offering, giving, receiving or soliciting of corporate hospitality and gifts that are customary by internationally-

accepted industry standards shall not constitute corrupt practices unless the action violates applicable law.

D. Payment by private sector persons of the reasonable travel and entertainment expenses of public officials that are consistent with existing practice under relevant law and international conventions will not be viewed as Corrupt Practices.

E. The World Bank Group does not condone facilitation payments. For the purposes of implementation, the interpretation of "Corrupt Practices" relating to facilitation payments will take into account relevant law and international conventions pertaining to corruption.

2. FRAUDULENT PRACTICES

A "Fraudulent Practice" is any action or omission, including misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial benefit or to avoid an obligation.

INTERPRETATION

A. An action, omission, or misrepresentation will be regarded as made recklessly if it is made with reckless indifference as to whether it is true or false. Mere inaccuracy in such information, committed through simple negligence, is not enough to constitute a "Fraudulent Practice" for purposes of World Bank Group sanctions.

B. Fraudulent Practices are intended to cover actions or omissions that are directed to or against a World Bank Group entity. It also covers Fraudulent Practices directed to or against a World Bank Group member country in connection with the award or implementation of a government contract or concession in a project financed by the World Bank Group. Frauds on other third parties are not condoned but are not specifically sanctioned in World Bank Guarantee or carbon finance operations. Similarly, other illegal behavior is not condoned, but will not be sanctioned as a Fraudulent Practice under the World Bank sanctions program as applicable to World Bank Guarantee or carbon finance operations.

3. COERCIVE PRACTICES

A "Coercive Practice" is impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party.

INTERPRETATION

A. Coercive Practices are actions undertaken for the purpose of bid rigging or in connection with public procurement or government contracting or in furtherance of a Corrupt Practice or a Fraudulent Practice.

B. Coercive Practices are threatened or actual illegal actions such as personal injury or abduction, damage to property, or injury to legally recognizable interests, in order to obtain an undue advantage or to avoid an obligation. It is not intended to cover hard bargaining, the exercise of legal or contractual remedies or litigation.

4. COLLUSIVE PRACTICES

A "Collusive Practice" is an arrangement between two or more parties designed to achieve an improper purpose, including to influence improperly the actions of another party.

INTERPRETATION

Collusive Practices are actions undertaken for the purpose of bid rigging or in connection with public procurement or government contracting or in furtherance of a Corrupt Practice or a Fraudulent Practice.

5. OBSTRUCTIVE PRACTICES

An "Obstructive Practice" is (i) deliberately destroying, falsifying, altering or concealing of evidence material to the investigation or making of false statements to investigators, in order to materially impede a World Bank Group investigation into allegations of a corrupt, fraudulent, coercive or collusive practice, and/or threatening, harassing or intimidating any party to prevent it from disclosing its knowledge of matters relevant to the investigation or from pursuing the investigation, or (ii) acts intended to materially impede the exercise of the World Bank's access to contractually required information in connection with a World Bank Group investigation into allegations of a corrupt, fraudulent, coercive or collusive practice.

INTERPRETATION

Any action legally or otherwise properly taken by a party to maintain or preserve its regulatory, legal or constitutional rights such as the attorney-client privilege, regardless of whether such action had the effect of impeding an investigation, does not constitute an Obstructive Practice.

GENERAL INTERPRETATION

A person should not be liable for actions taken by unrelated third parties unless the first party participated in the prohibited act in question.

Annex 1

Sector Policy Letter

Government of Sierra Leone

Ministry of Finance and Economic Development

Ministry of Energy

June 1st, 2016

The Country Director
The International Development Association

The World Bank Ghana Office
P. O. Box M27, Accra
Ghana

Dear Mr Kerali

Ref: Letter of the Government of Sierra Leone Policy to Ensure Financial and Operational Sustainability in the Electricity Sector

A. INTRODUCTION

This letter outlines the measures that the Government of Sierra Leone ("**GoSL**") is committed to implement over the coming years to:

(I) attract and ensure the sustainability of private sector investments in the electricity sector, including the prioritized Western Area Power Generation Project;

(II) ensure that the Electricity Distribution and Supply Authority ("**EDSA**") becomes a financially independent and commercially viable distribution entity with a credible track-record of making due and punctual payments to its power producers and fuel suppliers;

(III) improve transparency and predictability of cash flows in the electricity sector; and

(IV) reduce the burden of the electricity sector on the fiscal budget of Sierra Leone.

The policy measures set out in this letter are designed to improve the performance of the electricity sector and, more specifically, to ensure: (i) the reduction of EDSA's commercial and technical losses; (ii) improvement of EDSA's management and operations; (iii) that the electricity sector progresses towards having tariffs for end-consumers that reflect the production costs of electricity; (iv) the establishment of a transparent cash management mechanism with prioritised payment obligations for the electricity sector; and (iv) the elimination of fuel taxes that are currently causing an excessive burden on the sector.

B. GoSL COMMITMENTS

(I) Reduction of system losses

The GoSL, together with EDSA, are committed to reducing system losses from the prevailing level of approximately 38%, to at least 26.5%, during the period from 2016 to 2022 and to increase revenue collection rates to over 90% during the same period. In order to reduce system losses and increase revenue collection rates, EDSA and GoSL:

a) have established the Project Implementation Unit within EDSA (which will be operational by July 2016) to supervise and monitor the implementation of distribution projects to be funded by international developing agencies (including the ESURP programme) or the GoSL, in a timely manner;

b) will establish a Management Team pursuant to the management contract (please see paragraph B(II) for further information) to supervise the performance of the management contactor;

c) will install prepaid meters for most domestic consumers by June 2017 (this process commenced in 2015);

d) will install automated metering infrastructure for large consumers in accordance with the ESURP program by December 2017; and

e) will tackle and deter electricity theft.

(II) MANAGEMENT CONTRACTS

The GoSL will procure that EDSA enters into a management contract with a management contractor, in accordance with the commitments set out in the Policy Letter from the GoSL issued on 2 October 2013, on mutually agreed terms and conditions, by July 2016. The management contractor will provide management, operation and capacity building services to EDSA.

(III) EXEMPTION OF HEAVY FUEL OIL TAXES FROM POWER GENERATION WITHIN THE ELECTRICITY SECTOR

The GoSL will exempt electricity sector generators who have a ratified power purchase agreement with EDSA and/or the GoSL from certain tax obligations relating to heavy fuel oil used by those generators for generation purposes in Sierra Leone (such as the road user levy), to reduce the electricity tariffs payable by EDSA.

This commitment will be implemented by amending the Finance Act to provide for the tax exemption on heavy fuel oil by March 2017 and, in the interim period, by the GoSL agreeing to provide this specific tax exemption in connection with EDSA's and/or the GoSL's Power Purchase Agreements.

(IV) TARIFF ADJUSTMENT TO REFLECT THE TRUE COST OF ELECTRICITY TO END CONSUMERS

The prevailing tariffs in the electricity sector are not cost reflective and need to be adjusted to reflect the true cost of providing electricity to end consumers.

We have embarked on a process to assess the tariff structure that allows EDSA to recover its reasonable costs while creating incentives to reduce losses. The GoSL, EDSA and the Electricity and Water Regulatory Commission ("**EWRC**"), with technical assistance from energy sector partners, are developing a fuel adjustment formula that would automatically adjust the tariff payable to reflect volatility and changes to fuel prices and foreign exchange challenges. It is important to note that the automatic fuel adjustment formula will recognise efficiencies in EDSA's performance and output so that any inefficiencies of EDSA will not be transferred to end consumers.

(V) ELECTRICITY SECTOR COLLECTION ACCOUNT ARRANGEMENTS

The GoSL, together with EDSA, are committed to establishing revenue management and collection arrangements for the electricity sector, including establishing a sector-wide collection account. These arrangements will provide for certain payments to EDSA to be received into a collection account and for certain of EDSA's costs and liabilities to be paid from the collection account in accordance with a predetermined cash waterfall. The sector wide arrangements will also apply to revenue of EDSA's successors.

The GoSL has formed a committee, which includes EDSA, the Public Private Partnership Unit ("**PPP Unit**"), the EWRC and the Ministry of Energy ("**MoE**") to implement the Collection Account and we commit to the following key deliverables in accordance with the timelines set out in Annexure 1 and the collection account term sheet set out in Annexure 2:

a) preparing an advanced draft of the Operational Manual to be adopted by the Independent Agent by **1 August 2016**;

b) issue an invitation to tender for the appointment of an Independent Agent, in relation to the administration of the Collection Account by **31 December 2016**;

c) amending the National Electricity Act, 2011 to implement the collection account arrangements (including the cash waterfall) by **31 March 2017**; and

d) entering into an agreement with the Collection Account Bank and establishing the Collection Account with the Collection Account Bank by **31 March 2017**.

(VI) AVAILABILITY OF FOREIGN EXCHANGE

Some of EDSA's payment obligations are, or will be, denominated in foreign currency, while all of EDSA's revenues will be denominated in local currency. We acknowledge that the Collection Account Bank and the Independent Agent may not always be able to obtain sufficient foreign currency in the Sierra Leone commercial market.

In the event of a shortfall of foreign currency in the Sierra Leone commercial market, the GoSL commits to making up the shortfall of such foreign currency to ensure that sufficient foreign currency is made available to honour EDSA's payment obligations.

(VII) BUDGETARY SUPPORT FOR ELECTRICITY SECTOR DEFICIT

We acknowledge there will be a gap between the revenues generated by EDSA and EDSA's expenses, including amounts payable to power producers under power purchase agreements, which will lead to there being a deficit in the electricity sector budget ("**Deficit**") in the foreseeable future. The estimated annual Deficit is set out in the technical note provided by the World Bank dated 17 May 2016.

We commit to reducing the Deficit by implementing the measures outlined in this letter.

As the Deficit will be a function of certain variables including the price of fuel, exchange rates and demand for electricity, the Ministry of Finance and Economic Development ("**MoFED**") commits to funding the Deficit (plus a contingency amount) by allocating funds for the Deficit through a dedicated line item in the national budget denominated as "Electricity Sector Support". It is important to note that the reduction in system losses and the tariff adjustment, as referenced in paragraphs (I) and (IV) above, will assist to reduce the Deficit. The national budget will provide for a contingency amount to cater for the various sensitivities in calculating the Deficit. The funds to be dedicated by the Ministry of Finance and Economic Development will be identified in the annual electricity sector budget to be procured by EDSA and reviewed by the Ministry of Finance and Economic Development and the Ministry of Energy on an annual basis.

(VIII) ACKNOWLEDGMENT OF SUPPORT FROM INTERNATIONAL STAKEHOLDERS

We acknowledge the role of the following entities of the World Bank Group in supporting Sierra Leone's electricity sector, including Phase 1 (57MW) of the Western Area Power generation project, a 128MW heavy-fuel oil power project in Freetown:

a) the International Development Association: in offering to provide a Partial Risk Guarantee to facilitate the issuance of a letter of credit in support of certain payment obligations of the GoSL and EDSA under the power purchase agreement;

b) the Multilateral Investment Guarantee Agency: in offering to provide a political risk insurance instrument to the equity investors in relation to their equity investment in the project; and

c) the International Finance Corporation: in offering to provide, as mandated lead arranger, debt financing for the Western Area Power Generation project.

C. CONCLUSION

The GoSL remains committed to implementing the measures outlined in this letter and to continue to support the electricity sector until it becomes self-sustaining. We understand the need for these measures to be implemented in order to attract private sector participation.

We would like to use this opportunity to again thank you for the continued support of the World Bank and we hope that we can continue to work with you as partners for the benefit of Sierra Leone.

Yours Sincerely

Honourable Minister of Energy

Henry O. Macauley

Honourable Minister of Finance and Economic Development

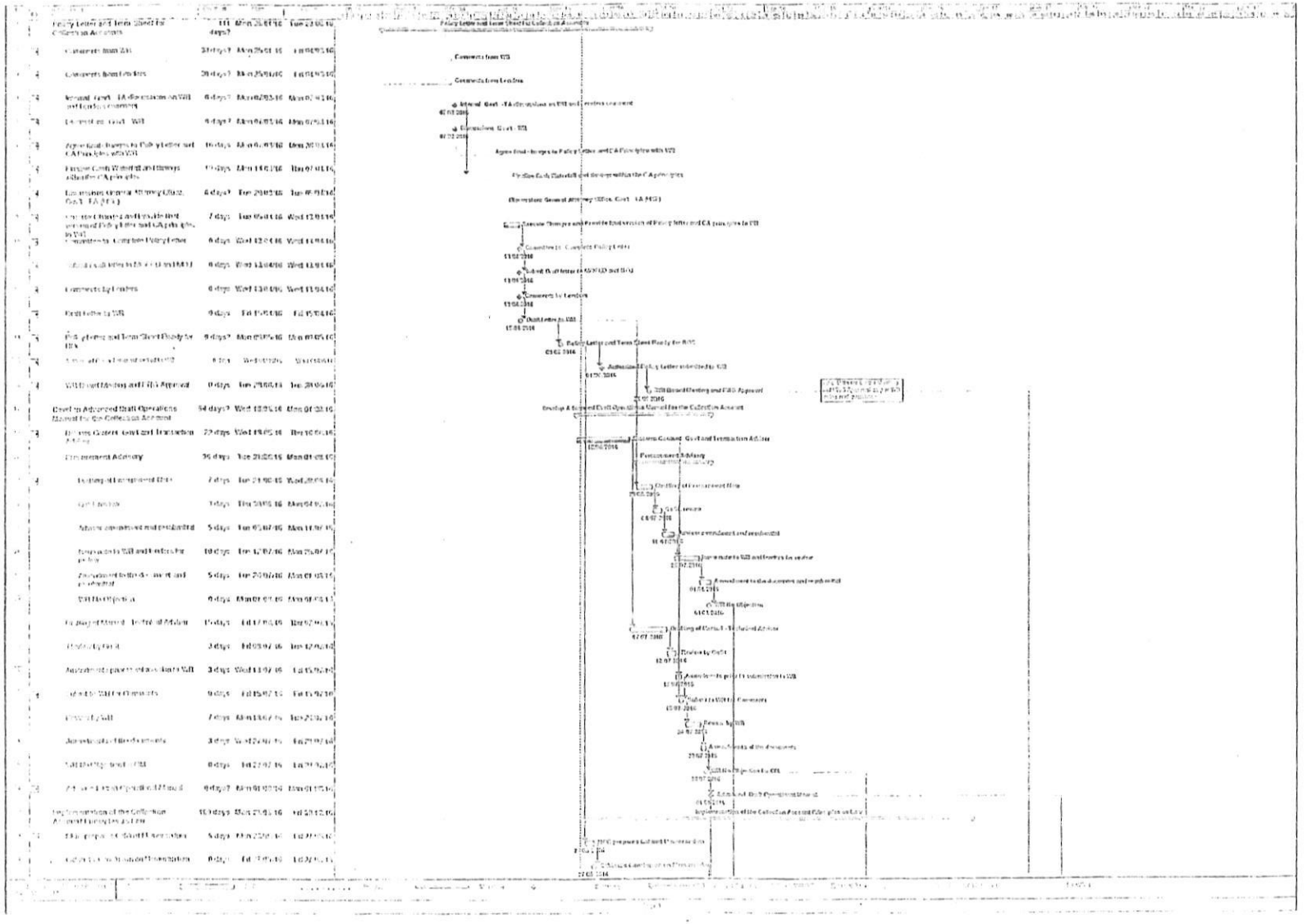
Momodu L. Kargbo

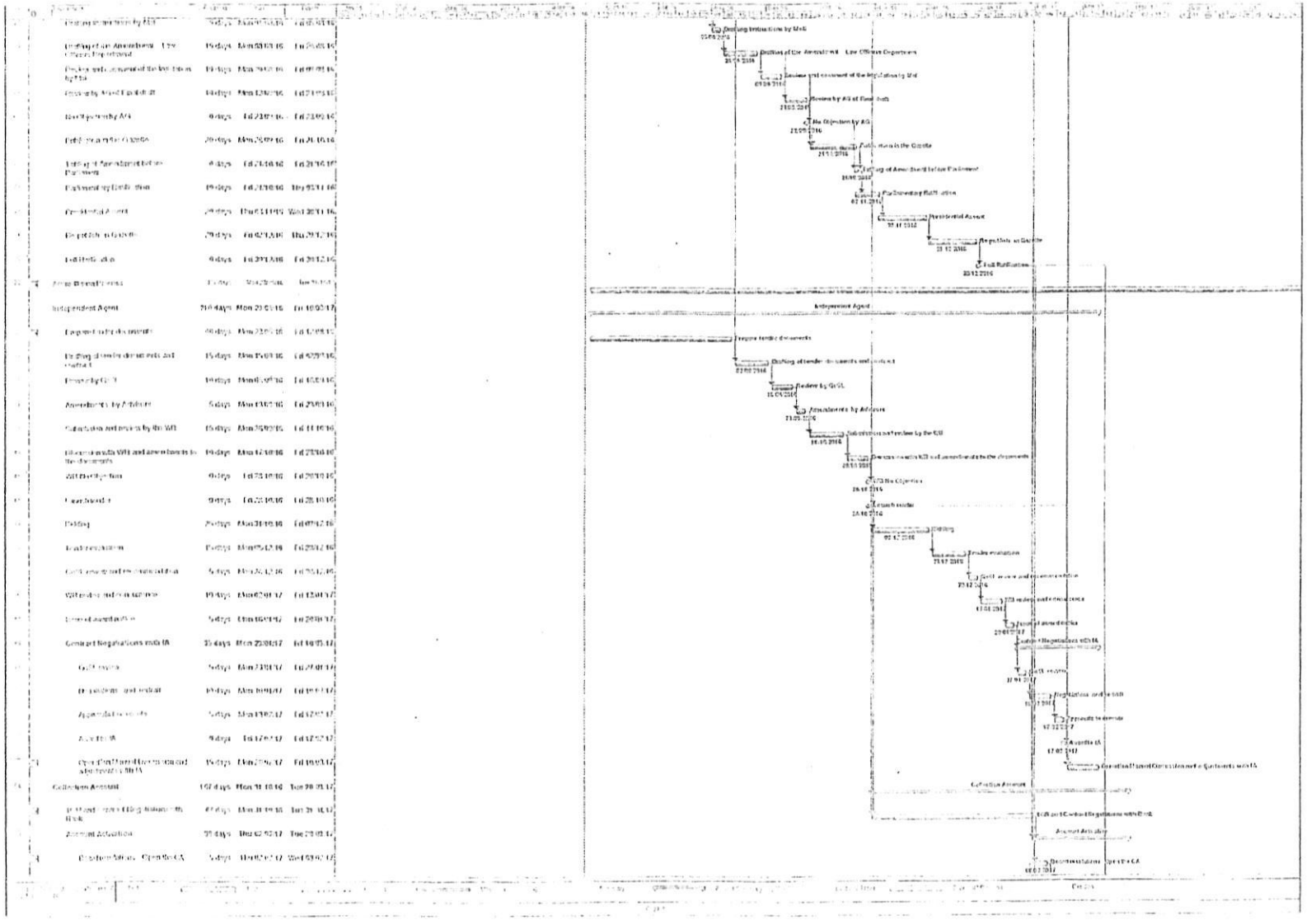
Annexure 1a
Collection Account Milestones

Action	Timeline	Entity responsible for the implementation
Preparation of an advanced draft of the Operational Manual	By 1 August 2016	Collection Account Working Group
Parliamentary ratification of the addendum to the National Electricity Act, 2011	By 31 March 2017	Collection Account Working Group
Issue an invitation to tender for the appointment of the Independent Agent	31 December 2016	Collection Account Working Group
Selection of the Independent Agent	By 28 February 2017	Collection Account Working Group
Selection of the Collection Bank and opening the collection account	By 31 March 2017	Collection Account Working Group
Commencement of the operation of the collection account by the Independent Agent	By 01 June 2017	Collection Account Working Group

Note: The Collection account working group comprises of members from the Ministry of Energy, the Ministry of Finance and Economic Development, the Electricity and Distribution Supply Authority, the Public Private Partnership Unit, the Electricity and Water Regulatory Commission, the Energy Generation and Transmission Company and the Attorney General's Office.

Annexure 1b
Collection Account Roadmap





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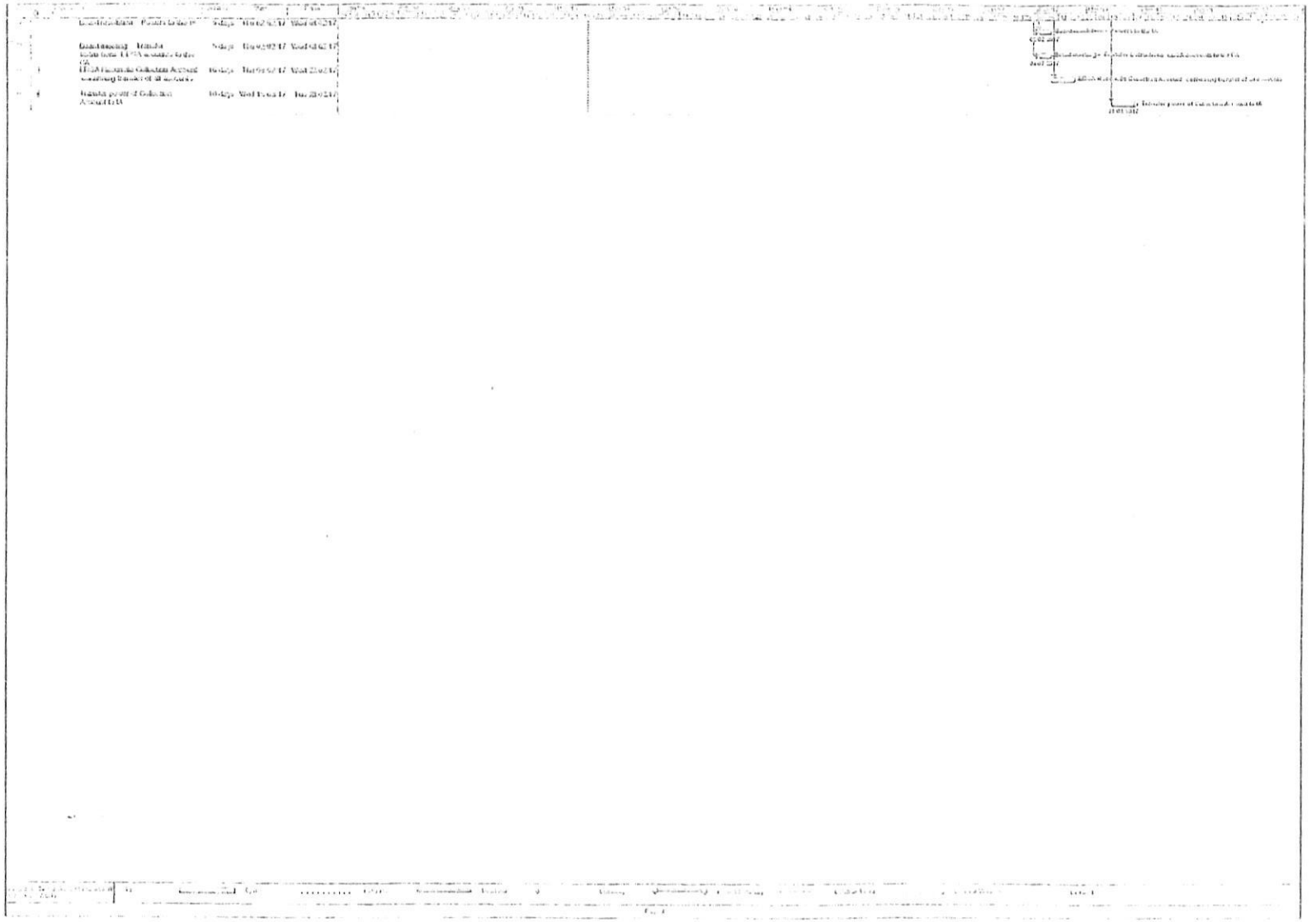

Annexure 2
Sierra Leone electricity sector collection account - term sheet

Subject	Terms
1. Introduction and overview	(a) GoSL is responsible for, and is the ultimate decision maker in relation to, all matters pertaining to Sierra Leone's electricity sector. (b) Set out below are certain key principles ("**Collection Account Principles**") for the establishment and operation of an electricity sector-wide collection account in Sierra Leone ("**Collection Account**") and sector cash flow management system to be administered by an independent agent ("**IA**") to be appointed by GoSL in accordance with these Collection Account Principles. (c) GoSL is committed to establishing and maintaining the Collection Account and the sector cash flow management system to ensure: (a) that there is clarity and transparency on the payments that EDSA receives from its customers for the supply of electricity to such customers; (b) that the entities supplying electrical generation capacity and/or electricity and any entities supplying fuel for use by EDSA for power generation ("**Suppliers**") to EDSA under duly executed and valid power purchase, power tolling or associated fuel supply agreements ("**Supply Agreements**") are paid in a timely manner in accordance with the agreed Payment Waterfall (set out in Section 14 below) and EDSA complies with its payment obligations under the Supply Agreements to such entities; (c) clarity and transparency with regards to amounts paid to Suppliers and the receivables and expenses of EDSA; (d) that the Deficit (as described in Section 10 below) that the MoFED is required to fund is clearly identified and paid into the Collection Account in a timely manner; and (e) that Sierra Leone's electricity sector is well-functioning and self-sustaining as part of GoSL's wider electricity sector reforms to attract investments in its electricity sector. (d) The GoSL recognises that in the short to medium term, MoFED will be required to fund the Deficit (and pay such amounts into the Collection Account) to ensure that EDSA meets its payment obligations to the Suppliers. (e) The GoSL recognises that in the long term, it will be necessary to prepare and implement a system which will ensure that Sierra Leone's electricity sector is self-sustaining.
2. Collection Account Documents *(To be included in the Amendment Act)*	(a) The GoSL will give legal effect to the Collection Account Principles by: (a) passing primary legislation amending the National Electricity Act, 2011 (the "**Amendment Act**"); (b) entering into an agreement with the IA selected to operate the Collection Account (the "**IA Agreement**"); (c) procuring that the IA administers and operates the Collection Account in accordance with an operations manual for the management, reporting and control of funds in the electricity sector as adopted by the Committee and revised from time to time in consultation with the IA and the International Development Association (the "**Operations Manual**") or similar development

Subject	Terms
	institutions; and (d) entering into an agreement with the bank with whom the Collection Account will be maintained (the "**CB Agreement**"), in each case, in accordance with these Collection Account Principles. (b) The Amendment Act, Operations Manual, IA Agreement and CB Agreement are collectively referred to as the "**Collection Account Documents**".
3. Collection Account Documents – key stakeholders *(To be included in the Collection Account Documents)*	**(a) GoSL** The Government of Sierra Leone, acting by the Ministry of Finance and Economic Development ("**MoFED**") and by the Ministry of Energy ("**MoE**"). **(b) EDSA** The Electricity Distribution and Supply Authority established pursuant to the National Electricity Act, 2011, the statutory distribution entity responsible for (a) buying electricity from electricity producers and suppliers and (b) selling electricity to the end-customers (residential, commercial and industrial) in Sierra Leone and for exporting electricity out of Sierra Leone and any successor entity ("**EDSA**"). **(c) EWRC** The Sierra Leone Electricity and Water Regulatory Commission established pursuant to the Sierra Leone Electricity and Water Regulatory Commission Act, 2011 to regulate the provision of electricity and water services and any successor responsible for the electricity sector ("**EWRC**"). **(d) Committee** The GoSL will establish a committee comprising representatives from (a) the MoFED, (b) MOE, (c) the EWRC, (d) Board of EDSA and (e) three observers (one independent, one representing Suppliers and one from an international institution (such as a development finance institution or regulator)) ("**Committee**"). The Committee shall be responsible for: (i) reviewing and approving EDSA's Operating Budget (as described in Section 5 below); (ii) reviewing and approving EDSA's Sector Budget (as described in Section 5 below); (iii) supervising the IA in accordance with the terms of the IA Agreement; and (iv) liaising with the IA, the Collection Account Bank (as described below) and any GoSL authority to provide relevant foreign currencies to EDSA to ensure payments under the Supply Agreements are made in a timely manner. The GoSL shall appoint the three observers in good faith and acting reasonably and, the independent observer (not the observer representing the Suppliers nor the observer that is an international institution) shall be a representative of the Sierra Leone Chamber of Commerce. The Committee may invite additional observers to attend meetings of the Committee. Without limiting the information to be provided in the Financial Reconciliation Statement in accordance with Section 9, the three observers and any additional observers shall not have access to any information which the GoSL and EDSA is prevented from disclosing under confidentiality obligations owed to third parties. The GoSL and EDSA shall develop a clear and transparent process in accordance with the laws

Subject	Terms
	of Sierra Leone for the Committee to determine whether to add and/or remove Suppliers and parties to whom payments can be made from the Collection Account and the Suppliers and parties eligible for payment from the Collection Account ("**Accreditation Process**"). In the interim, all procurement shall be carried out in accordance with the Public Procurement Act, 2016. The GoSL and EDSA shall ensure that the following factors are recognised and reflected in the Accreditation Process: (a) the Public Procurement Act, 2016; (b) the assessment of transmission and distribution capacity to determine whether there is sufficient capacity to evacuate power to be supplied by the new supplier; (c) the assessment of whether there is a sufficient demand for power in the market; and (d) tariff structure reviews to assess the affordability of power to be provided by the new supplier, including fuel costs. The Committee shall notify the IA and the other Suppliers when a new Supplier has been accredited in accordance with the Accreditation Process. **(e) IA** The GoSL shall select the IA pursuant to a transparent and competitive selection process and shall appoint the IA under the IA Agreement. The IA shall be a credible and reputable institution of international repute and with an office and staff in Sierra Leone, with prior experience in the management of cash flows and accounts on behalf of third parties. If the term of appointment of an IA is due to expire or if an IA resigns or is removed, GoSL shall run a new procurement process to select a replacement IA in accordance with this section 3(e). If at any time an IA is not providing the services under the IA Agreement, the Committee shall be responsible for undertaking the IA duties as set out in the IA Agreement. The GoSL shall procure that the IA will have the following obligations under the IA Agreement: (i) the IA acts as a neutral third party, independent of GoSL, EDSA and the Suppliers; (ii) the IA pays all of EDSA's revenues from the sale of electricity to EDSA's customers ("**EDSA Receivables**") into the Collection Account including by monitoring payments from Other Accounts (as defined in Section 4 below); (iii) the IA notifies MoFED and EDSA of any obligation to pay a Deficit into the Collection Account; (iv) the IA will generally administer the Collection Account in accordance with the applicable Collection Account Documents, including payments of any amounts in accordance with the Payment Waterfall set out in Section 14 below; (v) the IA shall draw up the Finance Reconciliation Statement (as described in Section 9 below) for each month by the 10th day of each subsequent month to determine the funds available to pay any invoices due and payable under the Supply Agreements, in accordance with the Payment Waterfall set out in Section 14 below; and (vi) the IA shall convert Sierra Leonean Leones ("**SLL**") into the relevant foreign currencies in collaboration with the Collection Account Bank and MOFED, the GoSL and EDSA shall use their reasonable endeavours to procure that the IA complies with its obligations under the IA Agreement.

Subject	Terms
	F. Collection Account Bank (a) The Collection Account will comprise of two accounts (or sub-accounts): one in United States Dollars ("**USD**") and one in SLL. It will be maintained with the Collection Account Bank, which has: (i) a retail branch in Freetown; and (ii) the ICT platform to execute payments. (b) Accounts or sub-accounts in other currencies may be added as and when a requirement for such other currencies arises (e.g. as a result of a Supply Agreement coming into effect in a currency other than SLL or USD). (c) The IA shall procure that the EDSA Receivables are collected and deposited with the Collection Account Bank. (d) The IA shall be responsible for converting SSL into USD (and, if applicable, other currencies), as required to satisfy EDSA's payment obligations to Suppliers. (e) The Collection Account Bank shall be a bank (or be a wholly owned banking subsidiary of such bank) having at least two of the following three ratings: (i) a minimum "Long Term Foreign Currency Issuer Deposit Rating" of "A" from Fitch Ratings Ltd; (ii) a minimum "Long-Term Issuer Credit Rating" of "A-" by Standard & Poor's Financial Services LLC; and (iii) a minimum "Long-Term Bank Deposits Rating" of "A1" by Moody's Investors Service, Inc. (f) If the Collection Account Bank's ratings suffer a downgrade such that it no longer maintains at least two of the three ratings set out in paragraph (e) above, GoSL shall procure that EDSA and the IA transfers the Collection Account to another bank having a retail branch and/or a licensed bank business in Freetown which: (i) has at least two of the three ratings set out in paragraph (e) above; or (ii) has the highest ratings amongst the banks in Freetown, and which, in the Committee's reasonable opinion, has the most appropriate technical, financial and personnel resources to perform the functions of the Collection Account Bank, provided that, where the Collection Account Bank has the highest rating amongst the banks in Freetown, this paragraph (f) shall not apply.
4. Establishment and activation of the Collection Account *(To be included in the Amendment Act and the Operations*	(a) The Collection Account shall be held by the Collection Account Bank on trust for each payment beneficiary under the Payment Waterfall in Section 14. The Collection Account shall be operated only by the IA in accordance with the Operations Manual and the IA Agreement. GoSL, EDSA and the Committee will give appropriate delegated authority to the IA to perform its duties under the Operations Manual and the IA Agreement, including managing the Collection Account. This delegated authority will be included in the Amendment Act. (b) GoSL and EDSA shall procure that all of the EDSA Receivables available in EDSA's bank

Subject	Terms
Manual)	accounts will be automatically transferred on a weekly or bi-weekly basis to the Collection Account. (c) To the extent that any EDSA Receivables are paid into bank accounts held by EDSA, other than the Collection Account (**"Other Accounts"**), EDSA shall issue irrevocable payment instructions to the banks in which such accounts are held, directing that all EDSA Receivables deposited in such accounts shall be transferred to the Collection Account, subject to any deductions to pay the reasonable costs of administering such accounts. (d) Cash-pay/pre-pay meter customers, banks and institutions handling pre-payments for the sale of electricity shall be notified and instructed in writing by EDSA to transfer all proceeds payable by, or received by them (as the case may be), into the Collection Account on a weekly or bi-weekly basis. (e) EDSA will also pay any GST or tax refunds on the sale of electricity into the Collection Account from time to time. (f) The Collection Account shall not receive proceeds relating to the sale of meters or connection fees for which EDSA shall maintain separate bank accounts. (g) GoSL and EDSA shall ensure invoicing to, and the resulting payments from, customers for electricity (in respect of payments which are to be made to or routed to the Collection Account) and payments for other items such as meters and connection fees are segregated from invoicing and payments related to connection and meter installation. To the extent that, over time, computerised payment systems allow joint billing and segregation of payment amounts due, the Committee and IA may consider implementing these systems.
5. Budgets ***(To be included in the Amendment Act and the Operations Manual)***	(a) EDSA shall prepare and submit to the Committee by 31 August each year, the following budgets: (i) a cash flow forecast, which will specify the EDSA Receivables and its projected payments to Suppliers, payments to the IA and Collection Account Bank, any other necessary payments to third parties, and EDSA's internal operating costs as set out in the Operating Budget, as described in more detail in Section 6 ("**Sector Budget**"); and (ii) an expenditure budget, which will specify all of EDSA's internal operating costs, such as salaries, rental payments, running costs and other overheads "**Operating Budget**"), as described in more detail in Section 7. (b) Each of the Operating Budget and the Sector Budget shall forecast expenses and EDSA Receivables on a monthly, quarterly and annual basis for each of the following (3) three years. (c) The Committee shall review and approve the Sector Budget and the Operating Budget by 30 September each year and liaise with MoFED, MOE, the EWRC and other Committee members as appropriate to ensure that any relevant projected Sector Deficit (as further described in Section 6 and other parts of this Term Sheet) is included in the government's national budget for the upcoming periods. (d) EDSA shall procure that the Sector Budget and the Operating Budget are prepared in accordance with prudent utility practices, in good faith, and acting reasonably.

Subject	Terms
6. Sector Budget ***(To be included in the Amendment Act and the Operations Manual)***	(a) ESDA will ensure that the Sector Budget will: (i) reflect EDSA's Operating Budget and the forecasts provided by Suppliers under paragraph (b) below; (ii) include a forecast of energy and/or capacity payments (and, if applicable, fuel payments) due to the Suppliers based on demand projections, fuel costs and inflation assumptions and terms of the Supply Agreements; (iii) include a forecast of payments to any publically owned generator in relation to power purchased under any power purchase agreement between a publically owned generator and EDSA ("**POG PPA**"); (iv) include a forecast of the revenues that EDSA expects to collect from its customers; (v) be accompanied by a sensitivity analysis, to include, amongst other things, fuel price risk, FX risk and revenue risk; (vi) include any other cost or liability which is forecast to affect Sierra Leone's electricity sector; (vii) include a forecast of the Deficit (if any); (viii) be accompanied (as soon as a 3 year track record has been realised) by 3 years of historical projected versus actual Sector Budget data as background guidance information; and (ix) be presented in both SLL and USD and accompanied by a written description that includes key assumptions, including assumed foreign exchange rates and price indices used. (b) Each year before 31 July, ESDA shall procure that each Supplier to whom payments may be due from EDSA under Supply Agreements, which payments fall within the Payment Waterfall (set out in Section 14 below), shall provide the Committee and EDSA with a three (3) year forecast of such payments, including all pass-through payments in respect of each category of their expenses provided for in the respective Supply Agreements. (c) The three (3) year forecasts referred to in paragraph (b) will, together with the Operating Budget, be used by EDSA to prepare the Sector Budget under Section 5. (d) The Sector Budget will: (i) clearly show all the expense categories and subcategories (Payment Waterfall line items) for each calendar month; and (ii) assist to assess the financial stability of the sector and the government monetary support quantum. (e) The Committee shall provide the Sector Budget to the IA for application in the following year. In the event that the new Sector Budget for the current year has not been finalised, the IA shall use the prior year 3-year Sector Budget approved by Committee for the present year. (f) If the Sector Budget projects any Deficit, MoFED shall be required to seek additional funds in the government's national budget to fund the Deficit.

Subject	Terms
	(g) If required, EDSA shall provide a revised version of the Sector Budget at the end of each quarter to the Committee for their approval. EDSA shall revise the Sector Budget to account for the payment of any extraordinary expenses, any significant variation in pass-through costs compared to those forecast in the current Sector Budget and the addition of any new Suppliers to the Payment Waterfall (set out in Section 14 below). EDSA shall notify (in writing) MoFED any changes to the projected Deficit. (h) Within 60 days after the end of each quarter, EDSA shall provide a certificate to the IA and the Committee signed by EDSA's board of the EDSA Receivables, the Operating Expenses, internal expenses and other amounts required for the purposes of establishing compliance with the Sector Budget, received or incurred in the previous quarter in accordance with the Sector Budget, accompanied by a comparison of actual versus budgeted amounts for that previous quarter and the corresponding year-to-date period.
7. Operating Budget *(To be included in the Amendment Act and the Operations Manual)*	(a) EDSA will ensure that the Operating Budget reflects: (i) EDSA's forecast internal operating costs, such as salaries, rental payments, running costs and other overheads, operating and maintenance costs, maintenance commitments, SG&A and EWRC's fees; (ii) reasonable fees and expenses of the Collection Account Bank, the IA and the three independent Committee observers; and (iii) reasonable fees and expenses of legal counsel, auditors and other advisors incurred in connection with the Collection Account, (together, the "**Operating Expenses**"), but shall exclude: (i) distribution investments incurred by EDSA; and (ii) transmission investments incurred by EGTC and payments to Suppliers (including EGTC). (b) Within 60 days after the end of each quarter, EDSA shall provide a certificate to the IA and the Committee signed by EDSA's board of the Operating Expenses incurred in the previous quarter in accordance with the Operating Budget, accompanied by a comparison of actual versus budgeted Operating Expenses for that previous quarter and the corresponding year-to-date period.
8. Invoicing to EDSA *(To be included in the Amendment Act and the Operations Manual)*	(a) EDSA shall use its reasonable endeavours to procure that all Suppliers issue an invoice to EDSA, copied to the IA (together with supporting documents), within a specified period of the end of each month in accordance with the applicable Supply Agreement. (b) The IA Agreement shall specify the time period during which EDSA has to either approve or dispute an invoice, failing which, the IA will procure the payment of the invoice in accordance with the Operations Manual. (c) The IA Agreement shall provide that any invoices that are submitted after the specified period in paragraph (a) will not be included in the payment cycle of that month and will be included in the payment cycle of the subsequent month.
9. Monthly Finance Reconciliation Statement *(To be included in*	(a) The IA shall on a monthly basis draw up the Finance Reconciliation Statement for the month by day ten 10 of each month. (b) The Finance Reconciliation Statement shall make it possible to determine the available financial resources for the payment of Suppliers' invoices (the "**Invoices**") in

Subject	Terms
the IA Agreement and the Operations Manual)	accordance with the priority of payments set out in the Payment Waterfall (set out in Section 14 below). (c) The IA bears sole responsibility for drawing up the monthly Finance Reconciliation Statement based on the Invoices. (d) Each monthly Finance Reconciliation Statement will include: (i) The total amount of the ESDA Receivables for that month. (ii) The amounts paid into the Other Accounts and transferred into the Collection Account. (iii) The total funds available in the Collection Account. (iv) The total amounts, in aggregate, invoiced by Suppliers to EDSA for the provision of electricity and fuel (regardless of whether any amount notified or invoiced is disputed) and the currencies in which such amounts are due (e.g. SLL, USD, etc.) with a statement of the equivalent obligation in SLL and USD, as well as a gross total in these currencies. (v) The amounts disputed by EDSA (other than disputes resolved). (vi) The Deficit (as defined in Section 10 below), (if any). (vii) The total amounts, in aggregate, that were forecast/budgeted to be invoiced by Suppliers but for which no invoice was received by EDSA on a timely basis. (viii) Notification of any new Suppliers and/or the removal of existing Suppliers. (e) Collection Account System Reporting: (i) The IA and the Collection Account Bank will provide the Committee on a monthly basis with bank account statements for the Collection Account and the Finance Reconciliation Statement for the month. (ii) The IA shall provide the Suppliers with a copy of each Finance Reconciliation Statement.
10. Deficit and MoFED subsidy *(To be included in the Amendment Act and the Operations Manual)*	(a) If the Finance Reconciliation Statement indicates that the funds standing to the credit of the Collection Account are less than the aggregate amounts that EDSA is required to pay to the Suppliers pursuant to the Invoices (the difference being a "**Deficit**"), the IA shall notify (in writing) the amount of the Deficit to EDSA within two (2) Business Days of the Financial Reconciliation Statement being prepared, MoFED and the Committee and the IA shall request EDSA to pay the Deficit into the Collection Account (an "**EDSA Deficit Notice**"). (b) If EDSA has not paid an amount equal to the Deficit into the Collection Account within two (2) business days of receiving the EDSA Deficit Notice, the IA shall issue a written notice to the MoFED requiring MoFED to pay the proportion of the Deficit that EDSA did not pay into the Collection Account pursuant to the EDSA Deficit Notice (a "**MoFED Deficit Notice**"). (c) The MoFED shall, within ten (10) business days of receiving the MoFED Deficit Notice, pay the amount so notified under the MoFED Deficit Notice into the Collection Account.
11. Disputed amounts *(To be included in*	(a) If EDSA wishes to dispute an Invoice before its due date of payment, subject to the terms of the relevant Supply Agreement, EDSA shall notify the IA, the Committee and the relevant Supplier that EDSA wishes to dispute such Invoice and the amounts that it

Subject	Terms
the IA Agreement and the Operations Manual)	wishes to so dispute. (b) Subject to the terms of the relevant Supply Agreement, the IA shall pay all undisputed amounts under any invoice and the IA shall not pay any disputed amount until resolution of the dispute in accordance with the Supply Agreement. Upon resolution of the dispute, in the event that the determination has been made in favour of the Supplier, payment of the disputed amount will be made as specified in the Payment Waterfall (set out in Section 14 below).
12. Termination of a Supply Agreement and termination payments *(To be included in the IA Agreement and the Operations Manual)*	(a) If a Supply Agreement is terminated, EDSA shall promptly notify the IA of such termination, the date of termination and of any outstanding payment related to the provision of services which are due and payable in accordance with the relevant Supply Agreement. (b) Any termination payments or transfer or buyout price (howsoever described) which are due and payable to a Supplier or its lenders, shareholders or affiliates upon expiry or termination of a Supply Agreement (or transfer of the electricity generating facility) shall not be paid from the Collection Account.
13. Foreign Exchange operations *(To be included in the IA Agreement and the Operations Manual)*	(a) The IA shall procure that the Collection Account Bank shall use a pre-agreed and transparent method to convert the SLL into the various currencies of payment under the relevant Supply Agreements ("**Forex Mechanism**"). (b) The IA shall ensure, to the extent possible, that the Forex Mechanism reduces EDSA's and MoFED's exposure to any foreign currency risks. (c) The IA shall procure that the Collection Account Bank obtains the relevant foreign currencies from the local or regional foreign exchange market in accordance with the Forex Mechanism. (d) If any foreign currencies are not available in Sierra Leone in amounts sufficient to meet EDSA's payment obligations to its Suppliers, then GoSL, through the Central Bank of Sierra Leone, shall procure that the relevant foreign currency in sufficient amounts is made available to the Collection Account Bank. (e) The MoFED shall, by 30 September of each year, notify the Central Bank of Sierra Leone of any projected foreign currency requirements for meeting payments under the Supply Agreements in the currencies in which they are due for the following year to ensure that the Central Bank of Sierra Leone is aware of the foreign currency requirements. At the end of each quarter, the MoFED shall also notify the Central Bank of Sierra Leone of any revisions to its projected foreign currency requirements for the following quarter. (f) The MoFED shall also coordinate with the IA and the Central Bank of Sierra Leone to ensure that all legal and regulatory approvals are in place to permit: (i) the maintenance of bank accounts and bank account balances in foreign currencies; (ii) the conversion of SLL into foreign currencies; and (iii) the settlement and payment of invoices of the Suppliers in foreign currencies, where applicable and required pursuant to the Supply Agreements.
14. Payment Waterfall	(a) Within thirty days after the end of each month, the IA shall instruct the Collection Account Bank to make the following payments in accordance with the following order of priority (with (i) having the highest priority and (ix) the lowest priority), with

Subject	Terms
(To be included in the Amendment Act, IA Agreement and the Operations Manual)	amounts split pro-rata among the parties owed amounts in each sub-paragraph, where funds are insufficient to pay the full amount: (a) any GST or electricity tax imposed on the sale of electricity by EDSA and collected from customers (net of any GST or electricity tax recoverable by EDSA), if applicable (b) any amounts drawn by any Supplier under any letters of credit or any other payment security instrument issued in support of EDSA's payment obligations under any Supply Agreement; (c) taking account of the treatment described in (b) below, any amounts due to the Suppliers (excluding publicly owned generators) in arrears as a result of (i) a failure of EDSA to pay amounts submitted in previous Invoices; (ii) a failure of EDSA and/or MoFED in the prior periods to pay the Deficit into the Collection Account; and (ii) any previously disputed amount now resolved; (d) amounts specified in the Operating Budget for that month, provided that such payments shall not exceed the budgeted amounts; (e) amounts payable to the Suppliers under the Supply Agreements (excluding amounts payable under the POG PPAs) against the Invoices submitted to EDSA in the previous month; (f) amounts payable by EDSA to any publicly owned generator, including any amounts due to any publicly owned generator in arrears as a result of (i) a failure of EDSA to pay amounts submitted in previous Invoices; (ii) a failure of EDSA and/or MoFED in the prior periods to pay the Deficit into the Collection Account; and (ii) any previously disputed amount now resolved; (g) maintenance expenditure incurred by EDSA and not budgeted within the Operating Budget (and approved by the Committee on an exceptional basis) and distribution investments incurred by EDSA as approved by the Committee under the Sector Budget; (h) transmission investments incurred by EGTC as approved by the Committee under the Sector Budget; and (i) repayment of any Government liquidity support provided by MoFED in prior months to cover seasonal cash flow variations, in addition to the Deficit amounts paid by the MoFED. This repayment will only be made once the account has a liquidity to cover the following three (3) months of payments. (b) In making the calculations of amounts to be paid from the Collection Account in any month, if a Supplier did not submit an invoice in a timely manner, the IA shall retain in the Collection Account as a reserve an amount equal to the amount budgeted to be paid to that Supplier in that month in the Sector Budget. When the corresponding invoice that was submitted late is then submitted in a subsequent month and accepted for payment, the IA will release the reserved amount to the Supplier. (c) Amounts disputed by EDSA in accordance with section 11 will not be taken into account in making payment allocations in the month in which the disputed invoice is to be paid from the Collection Account. When a dispute is resolved in favour of a Supplier, the disputed amount agreed or determined to be payable to the Supplier, together with any late payment interest, will be added to the amounts to be paid to Suppliers in the month following the month in which the dispute is resolved. (d) If, based on the Sector Budget, the Collection Account has funds (i) in excess of the funds required to meet the payment obligations described in paragraphs (a)(i) to (ix) (inclusive) above for the following three (3) months (the "**Buffer**"), the IA shall, at

Subject	Terms
	EDSA's request, require the Collection Account Bank to transfer any funds in excess of the Buffer to EDSA's bank account so notified by EDSA to the IA in writing.
16. Auditing ***(To be included in the Operations Manual and Amendment Act)***	The Auditor General is responsible for the annual audit of the Sierra Leone public entities and shall accordingly audit the Collection Account and EDSA. The audit of the Collection Account and EDSA shall: (a) be prepared and include appropriate commentary in line with prudent accounting practice; (b) be made available on the Auditor General's website and EWRC's website within a reasonable period of time (but, in any event, not more than one year) after the end of EDSA's financial year. The audits for prior years shall continue to be made available on the Auditor General's website and EWRC's website.
17. Legal effect	This term sheet is not legally binding and is not exhaustive.

PARLIAMENT LIBRARY
PESHAWAR