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SUBSIDIARY LOAN AGREEMENT

between

THE GOVERNMENT OF THE REPUBLIC OF SIERRA LEONE

and

Guma Valley Water Company

Dated:^{29th} March, 2019

The Agreement is made on^{29th} March, 2019 between the Ministry of Finance acting for and on behalf of the Government of the Republic of Sierra Leone (hereinafter referred to as "The Government") of the one part and the Guma Valley Water Company (GVWC) (herein referred to as the Borrower).

WHEREAS:

By the Loan Agreement dated 5th November 2018 between the Republic of Sierra Leone (hereinafter called the Government) and the African Development Fund (hereinafter called the ADF or the Fund) has agreed to make available to the Government a total of ADF Grant of UA 3.73 (equivalent to approximately USD 5.22 million) and ADF Loan of UA 6.27 (equivalent to approximately USD 8,92 million being defined in Article 1 (1) of the Agreement establishing the Fund) as a loan to support the implementation of the Freetown WASH and Aquatic Environment Revamping Project (hereinafter referred to as "the Project")

NOW THEREFORE the parties hereby agree as follows:

ARTICLE 1

1.01 By a Loan Agreement entered between the Government on the one hand and the ADF on the other, the Government is to on-lend the said loan to the Guma Valley Water Company

(GVWC). GVWC will pay the said amount of UA 6.22 million to the Government into an escrow Account to be opened at the Bank of Sierra Leone. This account shall serve to address the repayment of this loan which the Government has entered into with the African Development Fund on behalf of Guma Valley Water Company.

ARTICLE II

2.01 The overall objective of this loan is:

Improve the water supply and sanitation services while ensuring the sustainability of the vital aquatic ecosystem in the Western Area/Freetown.

The Specific objectives of the project are:

- (a) To rehabilitate and expand water treatment, transmission, storage and distribution systems;
- (b) to improve solid and liquid waste collection, treatment and disposal services;
- (c) to provide infrastructure and enhance capacity for the effective protection of the Western Area Protected Forest/Watershed; and
- (d) to promote good sanitation, hygiene and child nutrition practices of the primary beneficiaries while facilitating their gainful participation in the improvement of WASH services.
- (e) The project will complement MCC and DFID supported institutional capacity and water supply infrastructure rehabilitation initiatives.

2.02 The Project consists of the following Four components:-

1. Water Supply Infrastructure Improvement
2. Integrated Infrastructure Improvement-
3. Capacity for IWRM and Livelihood Improvement

4. Project Management

2.03 The estimated total cost of the project is UA 135.14 million (Approximately \$189.2 Million, ADF financing including UA 14.3 million OPEC Fund for International Development (OFID) financing. The project, which is scheduled for completion by 30 June of 2024, will contribute towards the GoSL's objective of increasing national coverage of water supply from the estimated 33% to 75% in 2015 and 100% in 2025 and that of sanitation from 33% to 39% by 2015 and 69% in 2025 respectively.

ARTICLE III

3.01 The money paid into the escrow account at the Bank of Sierra Leone by Guma Valley Water Company shall be solely controlled by the Ministry of Finance on behalf of Government to service the loan which the Government has signed with the ADF on behalf of Guma Valley Water Company,

ARTICLE IV

OBLIGATIONS OF THE GOVERNMENT OF THE REPUBLIC OF SIERRA LEONE

4.01 The Government shall:-

- a. For the purpose of this project, make available to Guma Valley Water Company, on terms and conditions set forth in this Subsidiary Agreement, a Loan in the amount equivalent to UA 6,270,000 (six million, two hundred and seventy thousand Units of Accounts) as set out in the loan Agreement;

- b. Take or cause to be taken all actions necessary or appropriate to enable Guma Valley Water Company to perform its obligations under this Agreement and the Projects Agreement, including externalization of funds deposited by Guma Valley Water Company in the escrow account to service the loan, Guma Valley Water Company's annual work plan, budget, and procurement plan and performance indicators. The Government shall not take any action which will prevent or interfere with such performance.

ARTICLE V

5.01 OBLIGATION OF GUMA VALLEY WATER COMPANY TO THE GOVERNMENT OF THE REPUBLIC OF SIERRA LEONE

1. Guma Valley Water Company will generate money from its operations under the project which shall be paid into the debt service escrow account at the Bank of Sierra Leone for the purpose of servicing the entire loan as detailed in the loan Agreement (copy attached); and that signatories to the debt service escrow account shall be the authorized persons of both the Accountant General's Department and the Ministry of Finance;
2. Implement the project with diligence and efficiency and in accordance with the provisions of Article III of the attached loan Agreement which is hereunder reproduced verbatim:-

ARTICLE VI

Repayment of Principal

6.01 The Borrower (Guma Valley Water Company) shall repay the principal of the Loan over a period of forty (40) years), after a ten year (10) year grace period commencing from the date of this Agreement at the rate of one per cent (1 %) per annum for the eleventh (11th) to the twentieth (20th) year inclusive and at the rate of three per cent (3%) per annum thereafter.

6.02: The Borrower (Guma Valley Water Company) shall pay a service charge at the rate of three-quarters of one per cent (0.75%) per annum on the principal amount of the Loan disbursed and outstanding from time to time.

6.03 Commitment Charge: The Borrower (Guma Valley Water Company) shall pay a commitment charge (hereinafter referred to as "Commitment Charge" at the rate of one half of one percent (0.50%) per annum on the undisbursed portion of the Loan, which shall accrue one hundred and twenty (120) days after the date of signature of the Agreement.

6.04 Dates of payment. The Principal of the Loan shall be repaid in equal and consecutive semi-annual installments, the first of which shall be payable on 15th February or 15th August, whichever immediately follows the expiration of the grace period referred to in Section 6.01 above. Thereinafter the Service Charge and the commitment Charge shall be payable semi-annually on these same dates.

ARTICLE VII

7.01 That Guma Valley Water Company shall make an initial deposit of US\$50,000 into the Escrow Account at the time of opening the Account on or before the 31st March 2019.

7.02 That Guma Valley Water Company shall continue to deposit US\$ 250,000 into the said escrow account on the 31st March of each year with effect from 2029 for the servicing of the loan till full maturity.

ARTICLE VIII

This Agreement shall be interpreted and constructed in accordance with the Laws of the Republic of Sierra Leone. The following addresses are specified for the purposes of this Agreement.

For the Government:

Mr Jacob Jusu Saffa

The Minister of Finance

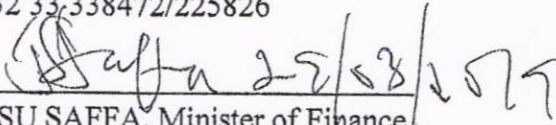
Treasury Building

George Street

Freetown

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JACOB JUSU SAFFA, Minister of Finance

For Guma Valley Water Company:

Mr Maada S. Kpenge,

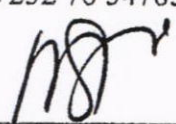
Managing Director ,

Guma Valley Water Company

12/14 Lamina Sankoh Street

Freetown

Tel: +232 76 547857


MAADA S. KPENGE, Managing Director

ARTICLE IX

The Agreement shall come into force and effect on the date on which it was signed or on the date on which the Loan Agreement starts to be effective whichever is later and shall terminate on the date on which the entire loan is paid into the escrow Account that will be opened at the Bank of Sierra Leone.