

Financing Agreement N° ACT-60565

FINANCING AGREEMENT
between
THE EUROPEAN COMMISSION
and
THE REPUBLIC OF SIERRA LEONE

Transformational Energy Access for Sierra Leone

FINANCING AGREEMENT

The European Commission, hereinafter referred to as the 'Commission', acting on behalf of the European Union, hereinafter referred to as the 'EU',

of the one part, and

The Republic of Sierra Leone hereinafter referred to as the 'Partner', represented by the Ministry of Finance,

of the other part, hereinafter collectively referred to as the 'Parties',

have agreed as follows:

Article 1 - Financing of the Action

- 1.1. The Partner agrees that the EU finances the implementation of the following action described in Annex I (Technical and Administrative Provisions): Transformational Energy Access for Sierra Leone, NDICI AFRICA ACT-60565 (the 'Action').
- 1.2. The total estimated cost of this Action is EUR 50 000 000 and the maximum EU contribution to this Action is set at EUR 50 000 000.

Article 2 – Execution period

- 2.1 The execution period of this Financing Agreement shall commence on the date of the entry into force of this Financing Agreement and cover the implementation and closure of all the activities described in Annex I (Technical and Administrative Provisions).
- 2.2 The effective end date of the execution period of this Financing Agreement shall be communicated by the Commission, in writing, to the Partner.

Article 3 – General obligations

- 3.1 The Partner and the EU commit to engage in a constructive political dialogue at the appropriate level on the implementation of this Financing Agreement. This dialogue may form a part of the broader political dialogue, as provided for in Article 8 of the ACP-EC Partnership Agreement.
- 3.2 In the context of the implementation of the Action, the Partner shall:
 - a) cooperate with the Commission or the entity entrusted by the latter in providing any information and administrative, logistical or political support useful for the implementation of the Action;
 - b) agree that documents and information related to the Action and held by any entity may be forwarded to the Commission, by that entity, for the sole purpose of implementing this or another Financing Agreement;

- c) inform immediately the Commission of any element brought to the Partner's attention, which arouses suspicions of irregularities, fraud or corruption in relation to the implementation of the Financing Agreement;
 - d) where relevant, undertake to take every appropriate measure to prevent, detect and punish any practices of active or passive corruption during the implementation of the Financing Agreement;
 - e) assist the Commission and the entity entrusted by the latter, where relevant, in ensuring visibility of the EU in the implementation of the Action.
- 3.3 The Commission and the Partner shall preserve the confidentiality of any document, information or other material directly related to the implementation of this Financing Agreement that is classified as confidential. The foregoing is without prejudice to Article 6. The Parties shall obtain each other's prior written consent before publicly disclosing such information. The Parties shall remain bound by the confidentiality until five years after the end of the execution period.
- 3.4 The Commission shall regularly inform the Partner of the implementation of activities described in Annex I (Technical and Administrative Provisions).
- 3.5 The Commission will implement the Action in accordance with applicable EU law (including, but not limited to, the EU Financial Regulations and the EU Treaties).
- 3.6 The Parties shall endeavour to settle amicably any disputes or complaints relating to the interpretation, application or validity of this Financing Agreement, including its existence or termination.

Article 4 - Right of establishment and residence

- 4.1 Where required by the nature of the contracts or agreements signed within the framework of the Action, the Partner shall entitle natural and legal persons participating in award procedures with a provisional right of establishment and residence in the Partner's territory(ies). This right shall remain valid for one month after the contract or agreement is awarded.
- 4.2 The Partner shall also entitle recipients of EU funds and natural persons whose services are required for the performance of this Action and members of their families with similar rights during the implementation of the Action.
- 4.3 Where a visa facilitation agreement is applicable, its provisions shall apply as well. In all other cases, the Partner shall apply its most favourable visa regime or establish facilitating procedures for issuing visas for natural persons and persons representing legal persons participating in award procedures.

Article 5 - Tax and customs provisions and foreign exchange arrangements

- 5.1 The Partner shall apply to the implementing contracts and agreements signed within the framework of the Action the most favoured tax and customs arrangements applied to States or international development organisations with which it has relations.

Account shall not be taken of arrangements applied by the Partner to the other ACP States or to other developing countries for the purpose of determining the most-favoured-State treatment.

- 5.2 Where the Commission and the Partner have agreed in another agreement to more detailed provisions on this subject, these provisions shall apply as well.

- 5.3 The Partner undertakes to authorise the import or purchase of the foreign currency necessary for the implementation of the Action. It also undertakes to apply its national foreign exchange regulations in a non-discriminatory manner to the natural and legal persons participating in implementing contracts and agreements signed within the framework of the Action.

Article 6 – Verifications and checks by the Commission, the European Anti-Fraud Office (OLAF) and the European Court of Auditors

- 6.1 The Partner shall assist and support the verifications and checks carried out by the Commission, OLAF and the European Court of Auditors and their authorised agents at their request.

The Partner agrees to the Commission, OLAF and the European Court of Auditors conducting documentary and on-the-spot controls on the use made of EU financing under the activities under this Financing Agreement and carrying out a full audit, if necessary, on the basis of supporting documents of accounts and accounting documents and any other documents relating to the financing of the activities, throughout the duration of this Financing Agreement and for five years from the end of the execution period.

- 6.2 The Partner also agrees that OLAF may carry out on-the-spot checks and verifications in accordance with the procedures laid down in EU law for the protection of the EU's financial interests against fraud and other irregularities.

To that end, the Partner shall grant officials of the Commission, OLAF and the European Court of Auditors and their authorised agents access to sites and premises at which operations financed under this Financing Agreement are carried out, including their computer systems, and to any documents and computerised data concerning the technical and financial management of those operations, and to take every appropriate measure to facilitate their work. Access by authorised agents of the Commission, OLAF and the European Court of Auditors shall be granted on conditions of strict confidentiality with regard to third parties, without prejudice to public law obligations to which they are subject. Documents must be accessible and filed in a manner permitting easy inspection, the Partner being bound to inform the Commission, OLAF or the European Court of Auditors of the exact location at which they are kept.

- 6.3 The Partner shall be notified of on the spot missions by agents appointed by the Commission, OLAF or the European Court of Auditors.

Article 7 – Protection of personal data

- 7.1 The Partner shall comply with the obligations laid down in this article where the Commission provides personal data to the Partner, for example in the context of award procedures and contracts or agreements managed by the Commission.

- 7.2 The Partner shall ensure an appropriate protection of personal data. Personal data means any information relating to an identified or identifiable natural person.
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Personal data shall be:

- a) processed lawfully, fairly and in a transparent manner in relation to the data subject;
- b) collected for specified, explicit and legitimate purposes and not further processed in a manner that is incompatible with those purposes;
- c) adequate, relevant and limited to what is necessary in relation to the purposes for which they are processed;

- d) accurate and, where necessary, kept up to date;
- e) processed in a manner that ensures appropriate security of the personal data and
- f) kept in a form which permits identification of data subjects for no longer than is necessary for the purposes for which the personal data are processed. Personal data included in documents to be kept by the Partner in accordance with Article 6.1 has to be deleted five years after the end of the execution period..

Any operation involving the processing of personal data, such as collection, recording, organisation, storage, adaption or alteration, retrieval, consultation, use, disclosure, erasure or destruction, shall be based on rules and procedures of the Partner and shall only be done as far as it is necessary for the implementation of this Financing Agreement.

In particular, the Partner shall take appropriate technical and organisational security measures concerning the risks inherent in any such operation and the nature of the information relating to the natural person concerned, in order to:

- a) prevent any unauthorised person from gaining access to computer systems performing such operations, and especially unauthorised reading, copying, alteration or removal of storage media; unauthorised data input as well as any unauthorised disclosure, alteration or erasure of stored information;
- b) ensure that authorised users of an IT system performing such operations can access only the information to which their access right refers;
- c) design its organisational structure in such a way that it meets the above requirements.

Article 8 - Amendment

8.1 Any amendment to this Financing Agreement shall be made in writing, including through an exchange of letters.

Article 9 - Suspension

9.1 The Commission may suspend the Financing Agreement without prior notice in the following cases:

- a) the Partner breaches any obligation set under this Financing Agreement;
- b) the Partner fails to observe the principles of democracy, the rule of law or good governance, or respect for human rights and fundamental freedoms or for internationally recognised nuclear safety standards or in serious cases of corruption;
- c) force majeure. 'Force majeure' shall mean any unforeseeable and exceptional situation or event beyond the Parties' control which prevents either of them from fulfilling any of their obligations, not attributable to error or negligence on their part (or the part of their contractors, agents or employees) and proves insurmountable in spite of all due diligence.

~~Neither of the Parties shall be held liable for breach of its obligations under this Financing Agreement if it is prevented from fulfilling them by force majeure, provided it takes measures to minimise any possible damage.~~

- d) In cases such as crisis or change of position at national level (e.g. on its policy priorities).

9.2 The Commission may take any appropriate precautionary measure before suspending.

- 9.3 The consequences of such suspension on the Action shall be analysed and determined on a case by case basis, including the impact on on-going implementing contracts and agreements.
- 9.4 A suspension of this Financing Agreement is without prejudice to the termination of this Financing Agreement in accordance with Article 10.
- 9.5 The Parties shall resume the implementation of the Financing Agreement once the conditions allow. This is without prejudice to any amendments of this Financing Agreement, which may be necessary to adapt the Action to the new implementing conditions, including, if possible, the extension of the execution period, or the termination of this Financing Agreement in accordance with Article 10.

Article 10 - Termination

- 10.1 If the issues which led to the suspension of this Financing Agreement have not been resolved within a maximum period of 180 days, either party may terminate this Financing Agreement at 30 days' notice.
- 10.2 Without prejudice to Article 10.1 above, if at any time, the Commission believes that the purpose of this Financing Agreement can no longer effectively or appropriately performed, this Financing Agreement may be terminated by serving (30) thirty days written motivated notice.
- 10.3 The consequences of such terminations on the ongoing activities may be analysed, where relevant, and determined on a case by case basis.

Article 11 - Addresses

All communications concerning the implementation of this Financing Agreement shall be in writing, shall refer expressly to this Action as identified in Article 1.1 and shall be sent to the following addresses:

a) **for the Commission**

Head of Delegation

Delegation of the European Union to Sierra Leone

Lcicester Peak, Freetown – Sierra Leone

b) **for the Partner**

Minister of Finance

Ministry of Finance

Treasury Building, George Street

Freetown – Sierra Leone

Article 12 - Annexes

The following Annex forms an integral part of this Financing Agreement:

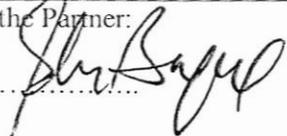
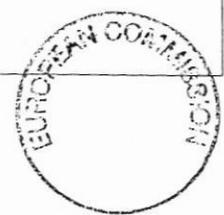
- a) Annex I: Technical and Administrative Provisions.

In case of conflict between the body of this Financing Agreement and any of its Annexes, the body of this Financing Agreement shall prevail.

Article 13 – Entry into force

This Financing Agreement shall enter into force on the date on which the Commission receives a notification from the Partner confirming the completion of the internal procedures of the Partner necessary for its entry into force. The Commission shall inform the Partner of the date of the receipt of this notification. This Financing Agreement shall not enter into force if such a notification is not received by the Commission by 31 December 2023.

Done in two original copies, one copy being handed to the Commission and one to the Partner.

<p>For the Partner:</p> <p></p> <p>.....</p> <p>Mr Sheku Bangura</p> <p>Hon. Minister of Finance</p> <p>Freetown</p> <p>24 2 2023</p> 	<p>For the Commission:</p> <p>.....</p> <p>Hans Christian Stausboll</p> <p>Acting Director INTPA.A</p> <p>Brussels</p> <p>01/02/2023</p> 
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TECHNICAL AND ADMINISTRATIVE PROVISIONS

1.1. Summary of the Action

The Government of Sierra Leone has incorporated into its energy policies the development of mini solar grids as a means of delivering electricity to areas far from the national grid. Around 60 villages are now equipped and a market is emerging.

However, although electrification programmes in particular for mini grids expand the access to energy, the productive use of energy and with it the economic transformation is below potential. Moreover the low consumption increases the operational expenditures and decreases the affordability of electricity for households. Participation of rights holders represented by local communities' organisations and people living in vulnerable situations is essential to develop fit for purpose solutions.

In order to address these challenges, the action has the overall objective to:

Contribute to increased generation, improved accessibility and increased use of sustainable, affordable and reliable energy

And the specific objectives :

- 1 : To build generation and distribution infrastructure for sustainable, reliable and affordable energy and improve access to it
- 2 : To promote the use of renewable energies, technologies and digitalisation
- 3 : To strengthen governance and financing of the renewable energy sector

Thus, this action will support financial investment in the off-grid solar system market in Sierra Leone, develop the services offered by access to electricity for households and public services (health centres and schools), taking into account the need to reduce the environmental footprint of batteries and panels. The action is expected to generate 6 MW of sustainable energy, benefiting 400 000 people. Working across multiple value chains, in particular agriculture, the action will promote access to financial services for micro, small and medium enterprises (MSME) and strengthen basic, technical and managerial skills prioritising people living in vulnerable situations and specifically women and young people. At least 30% of the energy supplied will be utilised for production. 1 000 enterprises (mainly micro-enterprises and farms) will increase their productivity and their viability thanks to sustainable and reliable energy. This will increase the resilience of the population facing crisis due to pandemics, economic shock and climate change. Finally, the action will support the government of Sierra Leone in improving the regulatory and investment framework in the renewable energies sector and ensure that the investments made turn quickly and effectively into sustainable economic growth developing decent work jobs for men and women as well as supporting women empowerment. By working on specific pivotal issues (tariff structure, financing models, etc.), the EU will help the Sierra Leonean authorities and institutions in the energy sector to achieve the objectives defined by the national policy in terms of access to energy in rural areas and development of renewable energies.

1. DESCRIPTION OF THE ACTION

1.1 Objectives and Outcomes

The Overall Objective (Impact) of this action is: Contribute to increased generation, improved accessibility and increased use of sustainable, affordable and reliable energy

The Specifics Objectives (Outcomes) of this action are :

1 To build generation and distribution infrastructure for sustainable, reliable and affordable energy and improve access to it

2 To promote the use of renewable energies, technologies and digitalization

3 Strengthen governance and financing of the renewable energy sector

The Outputs to be delivered by this action contributing to these Specific Objectives (Outcomes) are:

Outputs contributing to Outcome 1 (or Specific Objective 1) : To build generation and distribution infrastructure for sustainable, reliable and affordable energy and improve access to it

1.1 Developed infrastructure to generate and distribute electricity from renewable energies

1.2 Promoted connections to the mini-grids

1.3 Supported initiatives to mitigate the environmental foot print of solar generation system

Outputs contributing to Outcome 2 (or Specific Objective 2): Promote the use of renewable energies, technologies and digitalisation

This outcome will mainly target MSME involved in agricultural value chains. It will contribute to their development.

2.1 Developed solutions for the use of renewable energy by households and social services.

2.2 Enhanced skills and competencies of the labour force and businesses

2.3 Increased availability of sustainable financial services for accessing renewable energies

Outputs contributing to Outcome 3 (or Specific Objective 3) : Strengthen governance and financing of the renewable energy sector

3.1 Strengthened regulatory and strategic planning capacity of energy sector institutions

3.2 Improved regulatory and investment framework

1.2 Indicative Activities

Activities related to output 1.1: Developed infrastructure to generate and distribute electricity from renewable energies

Activity 1.1.1: Prioritise and select sites in agreement with the Ministry of Energy and in coordination with other donors.

Activity 1.1.2: Construct / extend solar mini-grids, minimising the carbon and environmental footprint of disposed panels and batteries.

Activity 1.1.3: Develop other sources of sustainable generation (mini hydro/ biomass or wind) for mini-grids or stand-alone infrastructure: feasibility studies (including climate risk assessments), technical legal and institutional advices, financial support.

Activities related to output 1.2: Promoted connections to the mini-grids

Activity 1.2.1: Support social studies notably on the affordability and the change effects for clients of mini-grids operators

Activity 1.2.2 : Develop financial solutions to support the connection fees

Activities related to output 1.3: Supported initiatives to mitigate the environmental foot print of solar generation system

Activity 1.3.1: Support a circular economy for batteries, and support recycling initiatives: impact studies, legal advice, feasibility studies, technical advice and financial support.

Activities related to output 2.1: Developed solutions for the use of renewable energy by households and social services.

Activity 2.1.1: Support household and social services in purchasing and using appliances connected to mini-grids

Activity 2.1.2: Develop renewable solutions for populations that are difficult to reach: households and social services outside the mini-grids areas. These solutions should involve the private sector and the local authorities managing the social services facilities, and they can include development of mechanisms of maintenance for renewable stand-alone systems and the change from fossil fuel generators to renewable energy generation systems. Activity 2.1.3: Support applied research, awareness and training on modern energy services, energy efficiency, and willingness to pay. These can also include research and development of clean cooking solutions based on electricity and gender sensitive.

Activities related to output 2.2: Enhanced skills and competencies of the labour force and businesses

Activity 2.2.1: Identify potential value chains which can benefit from productive use and support their development.

Activity 2.2.2: Train individuals in communities through local TVET for farmers and very small economic operators

Activity 2.2.3: Support business development by men and women through assessments of business plans, monitoring of MSME, training in management accounting, advice and awareness raising concerning the benefits of replacing existing fossil fuel generators with renewable energy generation systems.

Activity 2.2.4: Support the formal TVET system to better align student skills with the renewable energy market needs and to adapt content reaching women and girls.

Activities related to output 2.3: Increased availability of sustainable financial services for accessing renewable energies

Activity 2.3.1: Support from the communities and NGO in developing Village Lending and Savings Associations (VSALs).

Activity 2.3.2: Foster the access to commercial banking services by private sector (MSME), support financial plans, and mitigate risks.

Activity 2.3.3: Promote digital and financial inclusion in rural areas for all and reduce barriers of access.

Activities related to output 3.1: Strengthened regulatory and strategic planning capacity of energy sector institutions

Activity 3.1.1: Support capacity development at relevant authorities, notably through technical assistance, training and studies

Activity 3.1.2: Promote and develop new infrastructure financing solutions for renewable energy in Sierra Leone (Green funds, adapted revolving funds, and results based financing funds).

Activities related to output 3.2: Improved regulatory and investment framework

Activity 3.2.1: Support the Ministry of Energy in upgrading the regulatory framework to foster access, affordability and productive use of renewable energy, notably through technical assistance, training and studies.

2. IMPLEMENTATION ARRANGEMENTS

2.1 Implementation Modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures.

2.1.1 Indirect Management with a Member State Organisation and/or an international organisation

This action may be implemented in indirect management with entities which will be selected by the Commission's services using the following criteria:

- Strong technical and management capacities demonstrated in the activity areas included in the Action.
- Very good knowledge of the Sierra Leonean context.
- Ability and availability to extend the on-going momentum initiated by current projects in the sector of renewable energy in rural areas.
- Ability and availability to promote the EU's policy dialogue with Sierra Leone in the sector of renewable energy.

Implementation in indirect management with one entrusted entity is expected to cover the activities related to Outcome 1: "To build generation and distribution infrastructure for sustainable, reliable and affordable energy and

improve access to it.” and the activities contributing to Outcome 3 “Strengthen governance and financing of the renewable energy sector”.

The Outcome 2 “Promote the use of renewable energies, technologies and digitalisation” is expected to be implemented in indirect management by one or several other entities (international organisation, development agency from EU Member State).

2.2 Organisational Set-up and Responsibilities

Entities signing contribution agreements will be responsible for implementing the Action. However, several levels of coordination will be put in place.

A steering committee will be set up to monitor and coordinate the Action with the State sector policy. It will be chaired by the Ministry of Energy and will bring together the main players in the sector concerned by the Action. The EU Delegation will participate and ensure that the orientations taken by the Action are in line with those of the sectoral policy dialogue of the EU in Africa and Sierra Leone. This committee should meet semi-annually, at the invitation of the Ministry of Energy. The Ministry of Planning and Economic Development will participate in the steering committee in order to oversee the programming, implementation arrangement and monitoring of the project.

At the invitation of the Ministry of Energy, the entities signing contribution agreements and the EU Delegation will participate in the sector groups of Technical and Financial Partners (TFP) in order to coordinate activities with other projects.

At a more technical and operational level, a project coordination committee composed by the entities signing contribution agreements, the Ministry and the EU Delegation will meet regularly to coordinate the implementation.

Depending on the needs and the progress of the project, ad hoc committees may also be set up (for example during the award of contracts to the operators of mini-grids.)

Finally, participatory mechanisms will be put in place at the local level to allow the target populations to express their opinions, and when relevant take decisions on the implementation of the field activities and relevant orientations. It could be done through focus groups, field surveys or opinion polls. Particular care will be taken to ensure that women, young people and the disabled persons can express themselves.

As part of its prerogative of budget implementation and to safeguard the financial interests of the Union, the Commission may participate in the above governance structures set up for governing the implementation of the Action.