



**GOVERNMENT OF SIERRA LEONE**

**3 YEAR BOND  
PROSPECTUS TO FACILITATE THE COMPLETION OF THE  
TOKEH –LUMLEY ROAD PROJECT**

**MINISTRY OF FINANCE**

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## TABLE OF CONTENTS

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<b>ABSTRACT</b> .....	3
<b>1. TERMS AND CONDITIONS OF THE BOND</b> .....	4
<b>2. FINANCIAL ADMINISTRATION</b> .....	1
<b>2.1 Debt Management Objectives</b> .....	5
<b>2.2 Debt Management Strategy</b> .....	5
<b>2.3 Transparency and Accountability</b> .....	6
<b>2.4 Institutional and Legal Framework</b> .....	6
<b>3. GENERAL INFORMATION</b> .....	7
<b>3.1 Advantages of Treasury Bonds</b> .....	7
<b>3.2 Auction Process</b> .....	7
<b>3.3 Payment and Settlement Procedures</b> .....	7
<b>3.4 Redemption</b> .....	8
<b>4 ATTACHMENT</b> .....	8

## **ABSTRACT**

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The Government of Sierra Leone (hereafter referred to as GoSL) proposes to raise a total of Le 207.3 billion through the issuance of 3 year, fixed margin coupon bonds over a period of three year. The coupon will be paid semi-annually.

The bonds are being raised under the authority of the Public Debt Management Act 2011 and the interest and principal repayments are a direct charge on the Consolidated Fund.

GoSL has assigned very high priority to meeting the obligations of its debt commitments and therefore, has not established a sinking fund for the redemption for this bond. Government is confident that more cost effective alternative arrangements would permit the redemption of the bond at maturity. These include prudent debt and fiscal management in addition to Government utilisation of its overdraft facilities with Bank of Sierra Leone should there be shortfall in revenues. To facilitate efficient debt management, the Public Debt Management Act 2011 has establishment the Public Debt Management Division in the Ministry of Finance and Economic Development.

This issuance is supported by a formal debt management strategy developed by the Government of Sierra Leone in collaboration with the World Bank, IMF and the West African Institute for Financial and Economic Management (WAIFEM).

THE BANK OF SIERRA LEONE, AS FISCAL AGENT FOR  
GOVERNMENT OF SIERRA LEONE, ISSUES 3-YEAR  
TREASURY BONDS WITH THE FOLLOWING TERMS AND  
CONDITIONS:

## 1. TERMS AND CONDITIONS OF THE BOND

<b>Issuer:</b>	Government of Sierra Leone
<b>Agent &amp; Registrar:</b>	Bank of Sierra Leone
<b>Purpose:</b>	Financing the Completion of the Tokeh-Lumley Road Project
<b>Mode of issuance:</b>	Regular single price auction
<b>Tenor:</b>	3 years
<b>Price per Le100 par value of bond:</b>	Quoted at Par
<b>Minimum bid Size per PD:</b>	Le100,000,000 (One Hundred Million Leones)
<b>Bid Multiplier</b>	Le1,000,000 (One Million Leones)
<b>Coupon:</b>	Inflation plus a Fixed Margin (Margin to be determined by the Market), payable semi-annually
<b>Coupon dates:</b>	Specified in the Auction Calendar attached
<b>Redemption date:</b>	Specified in Auction Calendar attached
<b>Day Count Convention:</b>	Actual/365
<b>Allotment:</b>	Once an allotment of bond has been made, the notified payment must be made in full not later than T+2 days.
<b>Settlement:</b>	Payment must be made by direct debit to BSL in favour of the GoSL.
<b>Tax:</b>	Interest income is subject to withholding tax as set by the GoSL from time to time

<b>Rediscounting/purchase:</b>	The Bank of Sierra Leone will rediscount/purchase the Bonds as a last resort in compliance with applicable laws and regulations of the Bank of Sierra Leone.
<b>Bond as Liquid Asset:</b>	The bond shall be counted as part of the liquid asset of commercial banks in compliance with applicable laws and regulations of the Bank of Sierra Leone.
<b>Form of Issuance:</b>	Through Scripless Security Settlement System (SSS)
<b>Right to accept Application:</b>	The Auction Committee at the Bank of Sierra Leone reserves the right to allot the application in part or reject the total at its discretion
<b>Nature of the Bond:</b>	Marketable, transferable and can be pledged as collateral
<b>Eligible Bidders:</b>	Primary Dealers; the commercial banks and discount houses.

## **2. FINANACIAL ADMINISTRATION**

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### **2.1 DEBT MANAGEMENT OBJECTIVES**

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As stated in Section 5 of the Public Debt Management Act 2011, the objectives of public debt management are to ensure that Government's financing needs and its payment obligations are met at the lowest possible cost over the medium to long term, within a prudent degree of risk, and to promote development of the domestic debt market.

### **2.2 DEBT MANAGEMENT STRATEGY**

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The debt management strategy of Government is an integral part of its programme of fiscal consolidation. The key elements of the Government's debt management strategy include:

- Maintaining a satisfactory and prudent debt structure;
- Refinancing high cost loans and facilities to reduce debt servicing and to adjust the maturity profile of Government Debt in a way that balances lower financing cost and risk;
- To support the development of a well functioning market to provide low cost funds for the government.

## **2.3 TRANSPARENCY AND ACCOUNTABILITY**

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Government is continuously seeking ways of improving its systems of accountability and transparency in public financial management. With a view to adopting more prudent and transparent debt management practices, Government has been publishing information on the full spectrum of public debt through its regular publication of the Public Debt Bulletin. Furthermore, every year the Government conducts a Debt Sustainability Analysis (DSA exercise with the aim of gauging the country's susceptibility to debt distress and a Medium Term Debt Strategy to inform Government annual borrowing calendar, which is published for the consumption of all stakeholders.

## **2.4 INSTITUTIONAL AND LEGAL FRAMEWORK**

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In 2011, Government enacted the Public Debt Management Act (PDMA). The Act defines the legal framework for managing Public Debt in Sierra Leone with the aim of improving legal, policy and institutional framework for sustainable debt management operations.

The key objective of the Law is to strengthen existing legislative frameworks aimed at improving transparency and accountability in debt management consistent with international best practices. The Law:

- consolidated and harmonized all legislations for central Government, Local Governments, Public enterprises and suppliers credits by MDAs;
- Placed sole authority on the Minister responsible for Finance to acquire loans for and on behalf of Government;
- clearly laid out borrowing objectives, purpose and procedures
- well defined Institutional arrangements, roles & responsibilities for key stakeholders involved in debt management. It also made mandatory for the Minister to:
  - Submit annual report to Parliament-3 months after end of Fiscal Year
  - Reporting to the public the terms and conditions of a new loan
  - Submit annually, a Medium-Term DMS to Cabinet for approval
- established a career Debt Management Division within MOF and enhanced operational mandates
- a well defined regulatory framework for borrowing by local councils and public enterprises
- spelt out consequences for contracting unauthorized loans, guarantees, financial transactions by local councils/governments and public enterprises.

With the enactment of the law, the Public Debt Management Division (PDMD) in the Ministry of Finance is statutorily the principal entity charged with the key responsibility to manage public debt in Sierra Leone. The PDMD assumes leadership for debt management in terms of policy and strategy formulation and implementation consistent with prescribed macroeconomic framework and with a view to achieving debt sustainability. The PDMD closely works with the Accountant Generals' Department and the Multilateral Project Division (MPD) to assess the eligibility of loans, negotiate, disburse and meet debt service payment obligations on a timely basis. It coordinates policy and strategy formulation for debt management as well as a focal point between Government and its creditors.

The Financial Markets Departments of the Bank of Sierra Leone maintains the debt database<sup>1</sup>; prepares the foreign exchange cash flow budget, effect debt service payments on behalf of Government; and monitors private sector external debt. The Department also executes the Bank of Sierra Leone role as a fiscal agent for conducting weekly Government Treasury security auctions.

The determination of the level of borrowing is mainly driven by Government fiscal policy stance characterised by the debt portfolio as contained in the debt management strategy. Borrowing by Government is done through a published quarterly auction calendar. With the establishment of Government Cash Management Committee at the Ministry, the Ministry plays active role as stipulated by the Act to issue monthly, quarterly and yearly borrowing requirements around which a predictable issuance calendar is developed.

### **3. GENERAL INFORMATION**

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#### **3.1 ADVANTAGES OF TREASURY BONDS**

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- They are transferable
- They can be pledged as collateral.
- They are issued through market-based procedures.

#### **3.2 AUCTION PROCESS**

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- A press release will be issued two weeks before the auction, indicating the date, size of issue, coupon basis and other terms and conditions
- The members of the syndicate of primary dealers would be invited to submit bids through the SSS, directly to the Bank of Sierra Leone
- The auction for Treasury bonds (T-bonds) will be conducted through the single price system, where each successful bidder pays the clearing price that exhausts the face value amount of T-bonds offered for sale.
- The results of the auctions would be published in newspapers and displayed at the notice boards of the primary dealers as well as the website of both the Ministry of Finance ([www@mof.gov.sl](mailto:www@mof.gov.sl)) and the Bank of Sierra Leone ([www.bankofsierraleone.org](http://www.bankofsierraleone.org)).

#### **3.3 PAYMENT AND SETTLEMENT PROCEDURES**

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- Successful bidders are obliged to settle their bids within 3 day after notification of the auction results (T+2).

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<sup>1</sup>The debt database is stored in CS-DRMS at with technical backstopping through the assistance of ComSec.

- Payment should be done through debiting primary dealers' accounts held at the Bank of Sierra Leone
- Coupon will be paid semi-annually by debiting the CRF and crediting the respective primary dealers accounts held at the Bank of Sierra Leone.

### **3.4 REDEMPTION**

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- On maturity, T-bonds will be redeemed through the PDs.
- Investors will receive the par value (100 percent) of their respective bids.

## **4 ATTACHMENT**

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- Auction Calendar