

Sierra Leone Arrears to Multilateral Institutions

World Bank Office – Paris 18th January 2002

Draft Understanding on clearance of arrears incurred by Sierra Leone in respect of Special Loans and Risk capital operations funded from the EDF.

1. A total amount of EUR 8,235,019.6¹ of principal and interest arrears was due as of 31st December 2001. The present understanding outlines modalities discussed bilaterally between representatives of the Sierra Leone government, the European Commission and the European Investment Bank (EIB). Any formal agreement on the below proposal will require endorsement from the relevant management of the European Commission.
2. The understanding includes the following modalities:
 - Part of the arrears due, equals indicatively to 50 per cent of total arrears, would be paid using the interim relief that the European Commission, will provide to the country through the EIB after decision point has been reached.²
 - The remaining part of the arrears would be paid using a portion of the 2nd tranche of EURO 16.58 million foreseen in the framework of the Post Conflict Budget Support (PCBS) programme signed on 19/12/2000³.
3. Certain conditions have to be fulfilled before the 2nd tranche of the above programme is released. This includes an agreement about the findings of a recent audit on the utilizations of EC funds released in 1996, 1998 and 1999. It is understood that fulfillment of those conditions may require a certain time. Government agreed to ensure that late payment interest that will accrue on the arrears that are not paid through the interim relief would be duly paid to the EIB.
4. In addition, interim relief would also be used to cover the debt service on all loans from EDF resources as it comes due in 2002. Subject to review the same arrangement could be extended in 2003 as well.


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For the European Commission: Mr. Franco Conzato, DG DEV Administrator

For the European Investment Bank: Mrs. Heike Ruttgers, Loan Officer

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¹ This figure is to be considered indicative. It includes accrued penalties for late payments. The figure will be updated after the country will reach decision point.

² The exact date will be decided at a later stage following the date of decision point.

³ This may require modifications of the agreement.