Introduction

1. The present document contains a recommendation by the President of IFAD to implement a settlement plan for arrears incurred by the Republic of Sierra Leone. The recommendation is based on negotiations between an authorized delegation of the Government of Sierra Leone and IFAD, held in Rome in July 1999.

Background

2. IFAD has been working with Sierra Leone since 1979, and has so far funded four projects: (a) the Magboshi Integrated Agricultural Development Project; (b) the Northern Integrated Agricultural Development Project II (NIADP II); (c) the Agricultural Sector Support Project; and (d) the North-central Agricultural Development Project. The first three projects are closed while the fourth, effective since September 1993, has been under suspension since September 1997. The total approved value of the portfolio amounts to SDR 26.15 million.

3. Project implementation in the country has been severely affected by the eight-year civil war that began in 1991 and led to the internal displacement of 1.3 million people and the killing of 22,000 others; another 600,000 had to leave Sierra Leone, becoming refugees in neighbouring countries. Large parts of the country, including important agricultural production areas, were taken over by rebels for extended periods of time. It was only on 7 July 1999 that a peace agreement could be signed between the conflicting parties, which should permit normal activities to resume in the near future throughout the country.

4. The civil disturbances seriously impacted the country’s economic activities and financial situation, leading, inter alia, to delays in honouring Government debt obligations. A first attempt to pay the arrears held with IFAD was made on 30 December 1998, when USD 410,000 was transferred by the Government of Sierra Leone to IFAD as partial repayment. However, a new outbreak of civil war on 6 January 1999 prevented any follow-up action. In May 1999, the Government addressed a request to IFAD for assistance and the relaunching of project activities. In response, IFAD prepared a plan to facilitate the payment of arrears and permit an early lifting of the suspension.
5. In June 1999, the President of IFAD authorized the discussion of options with the Government of Sierra Leone for resolving the arrears problem based on the above-mentioned plan and an agreement was concluded which takes into account IFAD’s policy on safeguarding the net present value (NPV) of outstanding debts and the Government of Sierra Leone’s budgetary situation.

**Recommendation**

6. The Executive Board is herewith requested to approve the following agreement which could then become effective upon receipt of the down payment of USD 300,000:

   (a) total arrears as of 15 September 1999 equal USD 1,571,268.58 in nominal terms;

   (b) the NPV of the arrears as of 15 September 1999 is equivalent to USD 1,684,767.96;

   (c) the NPV will be paid to IFAD as follows:

      (i) down payment of USD 300,000 by the end of November 1999, at the latest;

      (ii) four equal instalments of USD 346,191.99 each, to be paid on the following dates: 1 February 2000, 1 August 2000, 1 February 2001 and 1 August 2001;

   (d) all current billings will be paid on the respective due date, beginning with the 15 January 2000 due date.