Developing Sierra Leone's first local currency corporate bond

INVEST SALONE

UK International Development
Partnership | Progress | Prosperity

From testing feasibility to completing a pioneering transaction and laying foundations for future issuance

2023

Testing the feasibility of a local currency corporate bond

Invest Salone commissions a feasibility study to assess whether a local currency corporate bond can be structured in Sierra Leone. The study finds that the key ingredients for a successful transaction are present. Further research identifies potential issuers, arrangers, investors and other participants, selecting LAPO Microfinance Bank SL as a potential issuer.

Key outcome: The feasibility of a local currency corporate bond is established and the actors needed to take a transaction forward are identified.

2023

Structuring a first-of-its-kind transaction

Invest Salone supports development of the transaction through its PROSPER Salone grant scheme. With no dedicated regulatory framework for corporate bonds, participating institutions develop the process collaboratively, including a prospectus, credit rating assessment and trust deed. Invest Salone supports the cost of LAPO Microfinance Bank's credit rating and funds a partial guarantee for local investors, alongside other safeguards to strengthen investor confidence.

Key outcome: Partners, processes and risk-mitigation measures are put in place to bring Sierra Leone's first local currency corporate bond to market.

6 December 2023

Sierra Leone's first local currency corporate bond launched

The Bank of Sierra Leone approves the launch of Sierra Leone's first local currency corporate bond. Arranged by United Capital Plc and Pennarth Greene, with support from Invest Salone through PROSPER Salone, the bond aims to raise SLE60 million for LAPO Microfinance Bank.

Key outcome: A new, long-term, local currency financing instrument is introduced, offering an alternative to foreign-currency borrowing and its associated exchange-rate risk.

12 June 2024

First local currency corporate bond successfully closed

The bond successfully closes, raising SLE32 million – approximately US$1.4 million – for LAPO Microfinance Bank. The Africa Local Currency Bond Fund participates as anchor investor, investing SLE27 million and supporting transaction structuring, while Skye Bank participates as a local investor and trustee. The proceeds support the expansion of LAPO Microfinance Bank's lending portfolio and branch network.

Key outcome: Sierra Leone completes its first officially approved local currency corporate bond, demonstrating the viability of a new source of longer-term domestic currency finance.

20 February 2025

Sharing lessons from the pioneering transaction

Invest Salone convenes representatives of Sierra Leone's banking and financial sector to examine how the first bond was developed. Participants discuss the regulatory, legal and investor confidence challenges encountered, the safeguards used to address them and the potential for local currency bonds to expand financing opportunities for the private sector.

Key outcome: Practical lessons from the first transaction are shared across the financial sector to support future corporate bond issuance.

2025

Laying foundations for future issuance

Experience from the first transaction informs work towards fuller issuance infrastructure and the accompanying regulations that could make subsequent corporate bond transactions easier to execute. The pioneering issuance provides a practical precedent for the continued development of Sierra Leone's corporate bond market.

Key outcome: The first transaction creates a foundation for developing a broader and more accessible corporate bond market in Sierra Leone.

Through Invest Salone, UK support contributed to:

- Testing the feasibility of a local currency corporate bond in Sierra Leone
- Identifying and convening the institutions needed to deliver the transaction
- Enabling transaction development through the PROSPER Salone grant scheme
- Supporting the credit rating and measures to reduce risks associated with a first-of-its-kind issuance
- Helping establish a new source of longer-term local currency finance without foreign exchange risk
- Sharing practical lessons from the first transaction with Sierra Leone's wider financial sector
- Laying the foundations for future corporate bond issuance and market development.

Result

Sierra Leone successfully completed its first local currency corporate bond, demonstrating the viability of a new source of longer-term finance without foreign exchange risk and creating a precedent for further development of the country's corporate bond market.