

Table 4. Sierra Leone: Sensitivity Analysis for Key Indicators of Public Debt, 2014–34

	Projections							
	2014	2015	2016	2017	2018	2019	2024	2034
PV of Debt-to-GDP Ratio								
Baseline	28	34	32	30	30	31	32	33
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	28	25	20	17	15	13	6	-1
A2. Primary balance is unchanged from 2014	28	33	29	27	26	26	27	32
A3. Permanently lower GDP growth 1/	28	34	33	32	32	33	40	58
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2015-2016	28	28	27	25	25	25	23	20
B2. Primary balance is at historical average minus one standard deviations in 2015-2016	28	35	34	33	32	33	34	34
B3. Combination of B1-B2 using one half standard deviation shocks	28	28	26	24	23	23	20	14
B4. One-time 30 percent real depreciation in 2015	28	42	39	36	36	35	35	35
B5. 10 percent of GDP increase in other debt-creating flows in 2015	28	40	37	35	35	35	36	35
PV of Debt-to-Revenue Ratio 2/								
Baseline	209	247	230	206	201	200	216	206
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	209	193	157	125	106	92	41	-8
A2. Primary balance is unchanged from 2014	209	240	212	184	175	171	180	201
A3. Permanently lower GDP growth 1/	209	250	236	215	212	215	263	342
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2015-2016	209	215	204	179	170	166	161	127
B2. Primary balance is at historical average minus one standard deviations in 2015-2016	209	259	249	222	215	213	228	213
B3. Combination of B1-B2 using one half standard deviation shocks	209	215	197	171	160	154	139	90
B4. One-time 30 percent real depreciation in 2015	209	308	281	248	237	232	239	223
B5. 10 percent of GDP increase in other debt-creating flows in 2015	209	292	270	240	231	229	243	220
Debt Service-to-Revenue Ratio 2/								
Baseline	12	14	14	14	13	12	17	14
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	12	12	11	9	7	6	9	-1
A2. Primary balance is unchanged from 2014	12	14	14	13	11	10	16	12
A3. Permanently lower GDP growth 1/	12	15	14	15	13	12	20	21
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2015-2016	12	13	13	12	11	10	15	9
B2. Primary balance is at historical average minus one standard deviations in 2015-2016	12	14	14	16	14	12	18	15
B3. Combination of B1-B2 using one half standard deviation shocks	12	13	12	12	10	9	13	7
B4. One-time 30 percent real depreciation in 2015	12	16	18	18	16	15	22	18
B5. 10 percent of GDP increase in other debt-creating flows in 2015	12	14	16	20	13	13	18	16

Sources: Country authorities; and staff estimates and projections.

1/ Assumes that real GDP growth is at baseline minus one standard deviation divided by the square root of the length of the projection period.

2/ Revenues are defined inclusive of grants.



SIERRA LEONE

February 18, 2015

SECOND REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND FINANCING ASSURANCES REVIEW, AND REQUESTS FOR AUGMENTATION OF ACCESS UNDER THE EXTENDED CREDIT FACILITY AND DEBT RELIEF UNDER THE CATASTROPHE CONTAINMENT AND RELIEF TRUST— INFORMATIONAL ANNEX

Prepared By

The African Department
(In consultation with other departments)

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RELATIONS WITH THE FUND

(As of December 31, 2014)

Membership Status: Joined 9/10/62; Article VIII

General Resources Account:	SDR Million	% Quota
Quota	103.70	100.00
Fund holdings of currency	103.69	99.99
Reserve position	0.02	0.02

SDR Department:	SDR Million	% Allocation
Net cumulative allocation	99.51	100.00
Holdings	107.96	108.50

Outstanding Purchases and Loans:	SDR Million	% Quota
ECF Arrangements	109.75	105.83

Latest Financial Arrangements:

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
ECF	Oct 21, 2013	Oct 20, 2016	88.15	43.71
ECF	July 01, 2010	June 30, 2013	31.11	22.20
ECF ¹	May 10, 2006	June 22, 2010	51.88	51.88

Projected Payments to Fund²

(SDR million; based on existing use of resources and present holdings of SDRs):

	Forthcoming				
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Principal	9.86	11.68	12.11	12.99	11.27
Charges/Interest	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.14</u>
Total	9.86	11.68	12.11	12.99	11.42

Implementation of HIPC Initiative:

	Enhanced Framework
Commitment of HIPC Initiative assistance	
Decision point date	March 2002

¹Formerly PRGF.

² When a member has overdue financial obligations outstanding for more than three months, the amount will be shown in this section.

Assistance committed (NPV terms)	
By all creditors (US\$ million) ³	675.20
<i>Of which:</i> IMF assistance (US\$ million)	125.21
(SDR equivalent in millions)	100.00
Completion point date	December 2006
Disbursement of IMF assistance (SDR million)	
Amount disbursed	100.00
Interim assistance	66.03
Completion point balance	33.97
Additional disbursement of interest income ⁴	6.58
Total disbursements	106.58

Implementation of Multilateral Debt Relief Initiative (MDRI):

I. MDRI-eligible debt (SDR Million) ⁵	117.34
Financed by: MDRI Trust	76.75
Remaining HIPC resources	40.59
II. Debt Relief by facility (SDR Million)	

Eligible Debt

<u>Delivery Date</u>	<u>GRA</u>	<u>PRGT</u>	<u>Total</u>
December 2006	N/A	117.34	117.34

Safeguards Assessment:

The 2014 safeguards assessment of the Bank of Sierra Leone found that it continues to improve certain elements of the safeguards framework, namely the legal framework and the internal audit function, and financial statements continue to be prepared and audited in accordance with international standards and were published in a timely manner on the BSL website. Continuance in oversight was a concern however, with the Deputy Governor position remaining vacant for an extended period and the expiration of a majority of Board members non-renewable terms in 2014. External audit oversight also needed strengthening and there were delays in the expected recapitalization of the BSL.

³ Assistance committed under the original framework is expressed in net present value (NPV) terms at the completion point, and assistance committed under the enhanced framework is expressed in NPV terms at the decision point. Hence these two amounts cannot be added.

⁴ Under the enhanced framework, an additional disbursement is made at the completion point corresponding to interest income earned on the amount committed at the decision point but not disbursed during the interim.

⁵ The MDRI provides 100 percent debt relief to eligible member countries that qualified for the assistance. Grant assistance from the MDRI Trust and HIPC resources provide debt relief to cover the full stock of debt owed to the Fund as of 2004 that remains outstanding at the time the member qualifies for debt relief.

Exchange Rate Arrangement:

For customs valuation purposes and for official transactions, the Bank of Sierra Leone (BSL) calculates an official exchange rate every Friday morning as the weighted average of the auction rate, the commercial bank mid-rate, and the bureau mid-rate in the previous week. Commercial banks may buy foreign exchange from and sell it to individual customers and may trade among themselves or with the BSL on a freely negotiable basis. As of December 25, 2014, the BSL mid rate was Le 4,953.34=US\$1.

Sierra Leone's *de jure* exchange rate regime is classified as floating, with the value of the leone determined by the market. Furthermore, effective November 1, 2008, the *de facto* exchange rate arrangement has been reclassified to 'floating' from a 'stabilized arrangement'.

With effect December 14, 1995, Sierra Leone has accepted the obligations of Article VIII, Sections 2, 3, and 4, and maintains an exchange system free of restrictions on the making of payments and transfers for current international transactions. Sierra Leone maintains one multiple currency practice subject to Fund jurisdiction arising from the applied multiple-price Dutch auction system, as there is no formal mechanism in place to prevent spreads of effective rates between winning bids from exceeding 2 percent.

Article IV Consultation:

The Executive Board concluded the 2013 Article IV consultation on October 21, 2013. The next Article IV consultation will be held in accordance with the 2010 decision on consultation cycles.

Technical Assistance:

Department	Purpose	Date
FAD	Assist in drafting a new Public Financial Management (PFM)	April 2014
	Review of the PFM law and arrears	April 2014
	Follow up Managing Natural Resource Wealth (MNRW) project	December 2013
	Tax Policy under Module 1 of the Managing Natural Resource Wealth (MNRW) project	November 2013
	Strengthening performance measurement	October 2013
	Module 2 of MNRW	July 2013

Department	Purpose	Date
MCM	Monetary and Foreign Exchange Operations	October 2013; January, February 2014
	Financial Stability Analysis	November, December 2013
	Medium-term Debt management Strategy	January 2013
	Liquidity Forecasting and Development of Interbank Foreign Exchange Market	July 2012; January 2013
STA	Price Statistics	April 2014
	Annual National Accounts Statistics Module Mission within the Enhanced Data Dissemination Initiative Project for Africa	July, August 2013
	National Accounts under Module 5 within the Managing Natural Resource Wealth (MNRW) project,	April, May 2013
LEG	TA in Fiscal Law (FAD MNRW TTF)	June, November 2013; January 2014

Resident Representative:

Ms. Iyabo Masha will assume responsibility for the Fund office in Freetown on February 1, 2015.

JOINT WORLD BANK-IMF WORK PROGRAM, 2014–15

Title	Activities	Provisional Timing of Mission	Expected Delivery Date
A. Mutual Information on Relevant Work Programs			
World Bank work program			
	Emergency Economic and Fiscal Support Operation	Jun-Jul 2014	Dec 2014
	PFMICP (New PFM Project) Preparation	Mar, Jun, Sep 2015	Aug 2019
	Financial Sector TA Project	Mar, Sep, Nov 2015	N/A
	Mining Sector TA Project	May, Sep, Dec 2015	N/A
	Pay and Performance Project	Mar, Jun, Oct 2015	Jul 2016
Technical Assistance:			
	Payments System and Hazard Pay	Dec 2014; Jan, May, Oct 2015	N/A
	Anti Corruption Commission	May 2015	N/A
	Household Survey	Apr, Sep 2014 Feb, May 2015	N/A
	AML/CFT, Law, Transnational Organized Crime Unit, Nuclear Non-Proliferation Framework	Mar, Jun, Sep 2015	N/A
	Anti-Corruption, asset disclosure system	Apr, Nov 2015	N/A
	Public Investment Management	Jun, Oct 2015	N/A
	Revenue Administration	May 2014; Sept 2015	N/A
IMF work program	Third Review of the ECF Arrangement	March 2015	March 2015
Technical Assistance:			
	FAD		
	Customs compliance enforcement and risk management	May, June, August 2014	N/A
	TSA/Cash Management/FRLs	May, September 2014; March 2015	
	EI Revenue Administration (MNRW)	June, Nov 2014; February 2015	N/A
	Fiscal reporting	July 2014	

Title	Activities	Provisional Timing of Mission	Expected Delivery Date
	PFM: Legal framework	May, August 2014; April 2015	
	Tax policy	October 2014	
	PFM: Medium-term expenditure framework	October 2014, January 2015	
	Program-based budgeting	November 2014	
	TA in Fiscal Law: Natural Resource Taxation	December 2014. April 2015	N/A
	MCM		
	Assessment of FX measures	July, September 2014	N/A
	Accounting and Auditing	July, September 2014	
	Medium-term Debt Management Strategy Formulation	July 2014	
	Finalizing the Foreign Exchange Act	July, September 2014	
	Debt Market Development	September 2014, April 2015	
	Contingency Planning	April 2015	
	Financial Stability	October 2013, 2014, 2015	
	Foreign Exchange Market Development	August, December 2014	
	Monetary Operations	August, December 2014; February 2015	
	International Reserves Management	April 2015	
	STA		
	Open Data Initiative	May 2014	
	Accounts for Natural Resources	June 2014	
	National Accounts	August, November 2014; April 2015	N/A
	Monetary Data Reported in Staff Reports	January 2015	
	LEG		
	Program TA in Fiscal Law	December 2014, April 2015	
	PFM and NFR legal framework	May 2014	
B. Agreement on Joint Products and Missions			
Joint products in 2014	Assisting the authorities with the implementation of their financial sector reform strategy		Continuous

STATISTICAL ISSUES

As of December 31, 2014

I. Assessment of Data Adequacy for Surveillance

General: Data provision is broadly adequate for surveillance with some key data shortcomings in national accounts, fiscal, monetary, and external sector statistics. A major and sustained improvement in the coverage and timeliness of economic data will require greater interagency coordination and restructuring of the institutional framework.

National Accounts: Statistics Sierra Leone (SSL) produces and disseminates GDP estimates by activity in value and constant prices of 2006, according to the 1993 SNA. Under the DFID-funded project annual GDP estimates have been improved, especially regarding the compilation of construction, estimation of informal sector activity, measurement of government services, agricultural production, household final consumption, and constant price gross domestic product (GDP). Remaining issues concern developing better data sources for agricultural and mineral production, and generally continuing the improvement of informal sector measurement. However, shortages of resources and staff continue to pose major constraints to the statistical development undertaken by SSL.

Price Statistics: The SSL compiles the CPI monthly and publishes it with a lag of about three weeks. It has been rebased to 2007 using the 2007 Sierra Leone integrated household survey and continues to cover the capital city and three main districts. While a national CPI is being compiled, the authorities continue to publish the old CPI (1992=100). They have requested technical assistance for the preparation and adoption of a single index.

Technical assistance missions last visited Freetown in April 2014 to review the CPI and to advise on the development of a producer price index (PPI). The authorities are working to improve the calculation methods for the CPI and procedures to aggregate regional CPIs to obtain the national index.

Regarding the new PPI, the Authorities have developed the index weights, selected a representative sample of establishments, and selected representative products and transactions for price collection. A work plan, in the form of Project Framework Summary, was drafted and agreed with the authorities for the preparation of this new PPI.

Government Finance Statistics: The budget reporting system was established with assistance from the Fund/UNDP technical assistance project. Monthly cash flow data on central government budgetary revenue, current expenditure, and financing are provided. The transaction coverage of the central government budgetary cash flow is incomplete. There is an urgent need for more timely and accurate data on foreign-financed development projects. Reports on implementation of the development budget and its financing are currently not produced in a format that is suitable for budget analysis because the necessary data are not available.

The authorities are currently considering the introduction of a flash reporting system for government expenditure in general and for foreign aid-financed projects, in particular. As part of the GDDS regional project for Anglophone African countries, work has been undertaken to reconcile fiscal and monetary data and to improve the coverage and classification of the two data sets. With the current drive towards decentralization and the growing role of local government, there is an urgent need to compile and monitor the operations (and financial balance sheet data) for the consolidated general government.

Financial sector surveillance: Sierra Leone does not participate in the IMF's Coordinated Direct Investment Survey (CDIS), Coordinated Portfolio Investment Survey (CPIS) and Financial Soundness Indicators (FSIs) databases.

Monetary and Financial Statistics: The main components of the central bank balance sheet are available daily and weekly under the early warning system on key financial targets. The full monetary survey is compiled by the Bank of Sierra Leone (BSL) with a lag of about six weeks; it has comprehensive coverage of commercial banks.

Progress has been made by the BSL in the compilation of monetary data. The BSL, with assistance from STA, has completed the migration to standardized report forms (SRFs) for the central bank and other depository corporations (ODCs). However, there is a need to expand the coverage of monetary and financial statistics by including data on other financial institutions.

External sector statistics: The BSL is responsible for compiling BOP and IIP statistics, which are currently prepared on an annual basis. Primary data sources are administrative-based data (BSL own records, line ministries, and Customs and Excise Department (Customs) records), partner-country and international organizations data, and the annual survey of major companies for estimates on services, income, and financial flows relating to direct, portfolio, and other investments.

External transactions are characterized by a large volume of activities in the informal sector. Trade data include some estimates for unrecorded diamond exports—by deducting official diamonds export figures from trading partners' official diamonds imports from Sierra Leone. Coverage issues also exist for services, primary and secondary income, and capital and financial accounts.

Information on official grant and loan receipts is of generally good quality and is prepared by the IMF African Department (AFR) staff on the basis of contacts with the authorities and donor agencies. Data on private financial flows should be improved; Information on financial transactions of banks are obtained directly from commercial bank records; entries are estimated as differences in amounts of outstanding foreign assets and liabilities of commercial banks and may thus include valuation and other changes.

While the authorities are producing data on the IIP, the coverage as well as the consistency with BOP data should be improved.

II. Data Standards and Quality

Sierra Leone is participant in the General Data Dissemination System (GDDS) since 2003.

No data ROSC is available.

III. Reporting to STA

Data are reported for publication in the *Government Finance Statistics Yearbook*, with the most recent data referring to 2012, but no sub-annual data are reported for inclusion in the *International Financial Statistics*.

The BSL started reporting monetary data in the SRF-format to the IMF in April 2010.