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INTERNATIONAL DEVELOPMENT ASSOCIATION

SIERRA LEONE

Enhanced Heavily Indebted Poor Countries (HIPC) Initiative—Preliminary Document

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I. INTRODUCTION

1. This paper presents a preliminary assessment of Sierra Leone's eligibility for assistance under the Heavily Indebted Poor Countries (HIPC) Initiative. The findings are based on an April 2001 joint mission of IDA and IMF staff to Freetown. Together with the authorities, the mission conducted the debt sustainability analysis (DSA). The preliminary results show that Sierra Leone's external debt situation would remain unsustainable even after application of traditional debt relief mechanisms. The NPV of debt-to-exports ratio would remain above 150 percent to 2020. Section II provides background information on eligibility under the enhanced HIPC Initiative, as well as on poverty, the policy track record to date, and an economic outlook. Section III presents the preliminary debt sustainability analysis, including possible assistance under the enhanced HIPC Initiative. Section IV outlines the proposed timeline for preparation of the decision point document, linking it to progress in developing the Poverty Reduction Strategy Paper. The section also includes proposed key reforms to be achieved by the completion point and a preliminary assessment of how the use of debt service savings after the decision point will be tracked. Section V includes issues for discussion by the Boards of Executive Directors of the Fund and the IDA.

II. ELIGIBILITY FOR HIPC INITIATIVE ASSISTANCE

A. PRGF and IDA Status

2. Sierra Leone is currently a Poverty Reduction and Growth Facility (PRGF)-eligible and IDA-only country with a per capita GDP of about US\$136 in 2000. In the medium term, Sierra Leone will continue to need substantial concessional assistance from the international community and is likely to remain a PRGF-eligible and IDA-only country. On the basis of an average growth rate of 6 percent per year, constant real effective exchange rate, and an average population growth rate of 2.4 percent per year, per capita GDP in constant 2000 prices is expected to be US\$270 in 2020.

B. Poverty and Social Development

3. Sierra Leone ranks last among the 174 countries surveyed globally in the 2000 United Nations Human Development Index, with a life expectancy of 38 years and an adult literacy rate of 31 percent. The most recent household survey showed that in 1989/90, about 82 percent of the population lived below the poverty line, and about 49 percent lived in severe poverty². With the civil war extending for most of the 1990s, poverty levels have worsened since the household survey results of 1989/90. The widespread nature of poverty is evidenced by the high rate of infant mortality, the prevalence of malnutrition, low daily per

² The poverty line is based on the international standard definition of poverty that is, those who spend less than 1 U.S. dollar per day.

capita food intake, poor access to basic public services, all of which have been adversely affected by the civil war and the brutal atrocities committed by rebels on the civilian population. The scale of destruction of life and property during the war spans all sectors, including rural settlements, educational structures and institutions, health facilities, provincial administrative infrastructure and communications infrastructure.

4. After nearly a decade of brutal civil war, Sierra Leone now faces a desperate poverty situation (See Box 1). The fighting caused a massive disruption in economic activity. Consequently, GDP per capita in US dollars declined by 30 percent between 1990-2000. Even more devastating was the massive displacement of the rural population, with an estimated 2 million or nearly half of the population being dislocated from their homes internally or externally. The widespread displacement subjected the population to hardship in terms of limited sources of economic activity, and vulnerability to malnutrition and disease.

Box 1. Selected Poverty and Living Standard Indicators		
Indicator	Sierra Leone	Sub-Saharan Africa a/
(in percent, unless otherwise specified)	Latest single year (1993-1999)	
Population in millions (1999)	4.7	642
Urban population (1999), percent of total	34	34
Population growth (1999)	2.6	2.4
GDP Per Capita in US\$	142	500
Stunting among children under five (1999)	34	38.6
Infant mortality rate (per thousand, 2000)	170	91.8
Child mortality rate (per thousand, 2000)	286	151
Maternal mortality (per 100,000/ live births, 2000)	1,800	...
Life Expectancy at birth (years, 1998)	38	50.4
HIV/AIDS prevalence (1999) b/	...	8
Access to sanitation (2000)	63	35
Access to health services (2000)	40	...
Access to safe water (2000)	54	43
Literacy rate (2000)	30	61
Male	31	69
Female	20	53
Gross primary school enrollment (2000)	55	78
Male	60	85
Female	45	71

Sources: "Republic of Sierra Leone: Interim Poverty Reduction Strategy Paper", April 2001; World Development Indicators (IDA); Multiple Indicator Cluster Survey, 2000.

a/ Sub-Saharan Africa data are from 1995

b/ Sub-Saharan Africa data are from 1997-98

For those who remained in the rural areas, already meager social services were halted, while those who fled to urban safe areas faced overcrowding and stretched social services leading to outbreaks of infectious diseases. With rebels continuing to occupy the major rice-growing areas, self-sufficiency in rice, the main staple, dropped from 69 percent in 1990 to 20 percent in 2000. Overall, agricultural output, on which 70 percent of the population depend for a livelihood, declined by 38 percent over the past ten years, undoubtedly aggravating the poverty situation of the population.

5. The pervasiveness of poverty is also reflected in other social indicators. In 2000, out of 1,000 children born, 286 did not witness their fifth birthday. A 2000 survey³ revealed that 34 percent of children were stunted, and that about 46 percent, 60 percent and 37 percent of the population were without access to safe drinking water, health services and sanitary means of excreta disposal, respectively. Educational indicators are also poor given the estimated 50 percent destruction of major educational institutions and large-scale population displacement. Primary school enrollment was about 42 percent in 1999, and school overcrowding is a major problem in the “safe areas” of the country not occupied by rebels.

C. Track Record

6. **Macroeconomic Policy Reforms.** The period 1991–99 was marked by episodes of serious efforts to implement reforms aimed at stabilizing the economy and laying the foundation for sustainable economic growth. These efforts were interrupted by the recurrence of outbreaks of violence and political instability. During the three years ending March 1994, Sierra Leone successfully implemented an adjustment program supported by the Fund under the Rights Approach. As a result of the program, Sierra Leone was able to clear arrears to the Fund and to mobilize considerable external financial support. In 1992, IDA supported government’s efforts through the Reconstruction Import Credit (RIC) aimed at improving fiscal management. Economic performance improved significantly. The rate of inflation declined from over 100 percent to 20 percent, and real GDP growth recovered gradually, rising to a positive rate in 1994 after several years of economic decline. The Fund and IDA continued to provide support to the government’s reform program through a Structural Adjustment Credit (SAC) in 1993 and a three-year SAF/ESAF arrangement in support of enhanced reforms in 1994. The programs, however, ran into serious difficulties in 1995, following the escalation of rebel activities, which spread to the mining areas.

7. After the rebel activities were brought under control at the end of 1995, the democratically elected government adopted, in 1996, a new economic recovery program that was supported by the Fund with a second annual arrangement under the ESAF. The government’s program aimed at the resettlement of the displaced population and restoration

³ Survey Report on the Status of Women and Children (MICSII), Government of Sierra Leone, November 2000.

of basic services and was generously supported by external donors. Despite the fragile security situation, the 1996 program was implemented in a satisfactory manner and remained broadly on track. Economic performance improved significantly, with real GDP growth rising to 5 percent in 1996 and inflation declining to about 6 percent. The military coup d'etat of May 1997, however, disrupted the government reform effort; although the military junta was removed from power with assistance from the Economic Community of West African States (ECOWAS), and the elected government was restored in 1998, the country remained unstable and Freetown was invaded by rebels in January 1999.

8. Following the signing of a peace accord with rebels of the Revolutionary United Front (RUF) in July 1999, the government adopted an economic rehabilitation and recovery program aimed at sustaining the peace, through disarmament, demobilization, and reintegration programs and promoting macroeconomic stability. In December 1999, the Fund approved the use of resources under the emergency post-conflict assistance policy in support of the authorities' economic recovery and rehabilitation program for 2000. This program was also supported by IDA's US\$25 million Community Reintegration and Rehabilitation Project (CRRP) aimed at the reintegration of ex-combatants, IDPs and refugees, the rehabilitation of social and economic infrastructure and recovery of communities affected by the conflict. IDA also approved an Economic Rehabilitation and Recovery Credit (ERRC) for US\$30 million to provide critical balance of payments and budgetary support. The CRRP has made a very strong start in most parts of the country where access is possible, with over 150 sub-projects with a total value of US\$9 million already approved. Progress under the ERRC has been satisfactory and the Bank released a second tranche in October 2000. The credit is now fully disbursed following the release of the floating tranche, relating to public enterprise reforms, in June 2001.

9. The economic situation improved significantly during the second half of 1999 and continued through 2000 and the first quarter of 2001 as confidence in the multilateral support for the peace process has grown through the UN peace-keeping force and the U.K. military support to provide for equipment, troops and training of the Sierra Leone Army.

10. Although exports remained depressed owing to the security risks and rebel occupation of the agricultural and mining areas, there has been a marked upturn in trade and commerce, and the rehabilitation of previously distressed industries. The majority of program objectives and targets under the Fund's post-conflict assistance program were achieved and most of the program's benchmarks and indicative targets were met. After a slow start, government was able to implement most of the structural measures envisaged under the Fund—and IDA—supported programs in 2000 and undertake steps to enhance capacity building.

11. **Structural Policy Reforms.** Efforts to improve **public expenditure management** under the programs supported by IDA and the Fund have achieved considerable success despite the disruptions caused by the protracted civil war. A new budgeting system was adopted in 1994/95 which provides a framework to plan, record, monitor and control expenditures, including development and capital outlays as part of a unified budget. To

reintroduce financial integrity and accountability of government finances, a new Vote Controller's/Vote Service Ledger system was introduced in the Accountant General's Department in 1999. Once Parliamentary appropriations have been made, this computerized system allows commitment control, pre-audit of vouchers received, cash management, payment of approved vouchers as well as preparation of expenditure monitoring reports. The government is currently preparing the groundwork for the **introduction of a medium-term expenditure framework**.

12. In the areas of the **trade and foreign exchange regimes**, reforms have aimed at broadening the tax base and promoting efficient import substitution. Import tariffs were further streamlined and nominal rates reduced to an average of 20 percent in 2000. The operation of the foreign exchange market has also improved in 2000, following the introduction of the foreign exchange auction in February of that year. As a result, market segmentation has been sharply reduced and the spread between the official and parallel market has been markedly narrowed from an average of 34 percent in 1999 to 10 percent in 2000.

13. After a slow start, efforts have been stepped up in the area of **civil service reforms**. A census of the permanent civil service staff was carried out in early 1996. However, there were many shortcomings, including difficulties regarding verification of the number of staff on the payroll. With support from the European Union, the government has now completed the verification exercise to establish a clean and "ghost-free" payroll in order to pay wages and salaries in a timely and accurate manner.

14. The government initiated a **public enterprise (PE) reform** program in 1992 as a way to reinforce the reforms of public resource management and also create the scope for a greater private sector role in the economy. Under the program, many enterprises were privatized or liquidated, and several others (hotels) were leased or put under management contract. The intensification of the civil war disrupted the PE reform program. With the support of IDA, the government has now adopted a new strategy for continuing the PE reform program.

15. In recent years, **financial sector reforms** have involved improving regulation in the sector, and tightening central bank financing of the fiscal deficit in support of low inflation targets and prudent external reserve management. With a view to modernizing legislation, the government passed a new Banking Act and a new Bank of Sierra Leone Act in 2000. Further improvement in prudential regulation in the sector is also expected with the planned passage of an Other Financial Institutions Act by September 2001.

16. **Outlook for 2001–04.** The government adopted a two-track strategy for poverty alleviation. In the transition period (2001-2002), government's policy will focus on key priority issues related to the reestablishment of personal and state security, resettlement of the displaced population and war veterans, the rehabilitation of social and physical infrastructure and capacity building. In the medium term, the government will implement a longer-term growth and poverty alleviation strategy in the context of the full PRSP. Key structural

reforms aimed at promoting poverty reduction include: strengthening of security services; acceleration of public sector reforms; re-activation of public enterprises reform and divestiture; strengthening of the banking system; and improving the tracking of public expenditure especially those directed at poverty alleviation.

17. With the return of the displaced population and peace consolidation, real GDP is projected to rise by 5 percent in 2001, and by 6-7 percent annually through 2004. The medium-term program will also aim to limit the annual average rate of inflation at about 5 percent, and to raise gross foreign reserves to the equivalent of 2 months of import cover. Growth is expected to be supported by the re-opening of rutile mining, starting in the third quarter of 2002. The recovery of agricultural production, including that of rice, cocoa and coffee, and a further expansion of industry is expected following the ERR program in the public and private sectors. In the medium-term, the potential exists for further investment and expansion in fishing and the mining sector, including the potential exploitation of the kimberlite diamond pipe that was identified in the 1970s.

III. DEBT SUSTAINABILITY ANALYSIS AND POSSIBLE HIPC ASSISTANCE

A. Procedures and Reconciliation Status

18. The debt sustainability analysis (DSA) presented below was prepared jointly by the authorities and the staffs of the IMF and IDA, based on macroeconomic projections up to 2020 and on the basis of loan-by-loan data provided by the authorities and creditors for debt outstanding at end-2000. The debt estimates and the net present value (NPV) calculations are preliminary, pending complete reconciliation with all multilateral and bilateral creditors.⁴ The baseline projections for end-2000 and beyond simulate the hypothetical impact of a stock-of-debt operation from Paris Club creditors on Naples terms as of end-2000, and comparable treatment from all other bilateral and commercial creditors (See attached Tables 1 to 10).

B. Structure of External Debt

19. Prior to the assumption of a Naples stock-of-debt reduction operation, Sierra Leone's public and publicly guaranteed external debt was estimated at US\$1.19 billion at end-2000. In NPV terms and after assumed full use of traditional debt relief mechanisms, the debt was estimated at US\$699 million, equivalent to 110 percent of GDP, or 707 percent of exports of goods and services.⁵ Of the total nominal debt, US\$728 million or 61 percent was owed to

⁴ About 74 percent of multilateral and bilateral debt data has been reconciled, though data on debt owed to some non-Paris Club and commercial creditors requires further verification.

⁵ The NPV of debt-to-export ratio is measured using the backward looking three- year average of exports of goods and services (including the current year), whereas the debt service ratio is calculated on the basis of current year exports. Discounting is based on currency specific CIRR (commercial interest reference rate) for the six month period ending December 2000.

multilateral creditors, and US\$382 million or 32 percent to bilateral creditors.⁶ Major multilateral creditors include the World Bank (US\$353 million), the IMF (US\$174 million), and the AfDB (US\$123 million). Arrears at end-2000 stood at US\$181 million, mostly on bilateral and private debts for which the authorities have been seeking debt relief on terms comparable to those granted by the Paris Club.⁷ (Table 10 shows recent debt service indicators).

C. Debt Sustainability

20. The macroeconomic projections used in this analysis and agreed upon with the authorities are based on restoration of an environment of peace, continued sound macroeconomic policies, further structural reforms, and the improvement of key social indicators through the implementation of Sierra Leone's poverty reduction strategy. Real GDP growth is assumed to average 6 percent per year during the projection period (2001-20), with earnings from goods and non-factor services growing at an average 12 percent per year, and external financing averaging 10.9 percent of GDP. The grant element on new borrowing was assumed to be 47 percent. (See Annex I for the main assumptions). On the basis of these optimistic assumptions, Sierra Leone's external debt situation would remain unsustainable even after application of traditional debt relief mechanisms. The NPV of debt-to-exports ratio is estimated at 707 percent in the base year, 2000 and would remain above 150 percent to 2012. On this basis, Sierra Leone meets the HIPC criteria for debt relief.⁸

D. Possible HIPC Assistance

21. Under the enhanced HIPC initiative, the relief is to be based on the country's stock of the debt after the full application of traditional debt relief mechanisms at the decision point. In the case of Sierra Leone, this implies adjusting the 2000 NPV debt stock by: (i) effecting a stock-of-debt operation under Naples terms (67 percent NPV reduction on eligible debt) and adjusting all previously rescheduled loans accordingly; and (ii) a comparable treatment from

⁶ Sierra Leone has benefited from four rescheduling operations from Paris Club creditors since 1981. The fourth Paris Club agreement was concluded in March 1996, and provided a rescheduling of obligations falling due from January 1996 to end-December 1997 on Naples terms (67 percent reduction in NPV terms). All Paris Club creditors granted Sierra Leone the flow relief on Naples terms. Comparable actions from Sierra Leone's other bilateral creditors were requested with some positive response. Sierra Leone also secured rescheduling, including debt swaps, on commercial debt through the London Club in the 1980s. The staff is in the process of confirming the actual amount of commercial debt still being claimed by commercial creditors.

⁷ The figure for arrears is awaiting further reconciliation. These debts are owed to U.S.A., China, and Japan as well as some commercial creditors.

⁸ Sierra Leone does not meet the HIPC fiscal/openness criteria because at decision point, the exports to GDP ratio (17 percent) and the revenue to GDP ratio (12 percent) fall below the required minimum of 30 percent and 15 percent, respectively.

non-Paris club creditors. Under these assumptions, the NPV of the external debt as of end-2000 would be reduced by about 12 percent to US\$699 million.

22. Sierra Leone would require debt relief of US\$867 million in nominal terms, or US\$551 million in NPV terms to reduce its debt burden to 150 percent of exports at the decision point.⁹ Possible assistance from multilaterals is estimated to be about US\$326 million, and assistance from bilateral creditors is estimated to be about US\$188 million. The implied *common reduction factor* for all creditors would be around 79 percent of their exposure in NPV terms remaining at end 2000 after full use of traditional debt relief mechanisms. In projecting the time profile of possible enhanced HIPC assistance, the following assumptions were made:

- Paris Club creditors. There would be a flow rescheduling on Cologne terms (90 percent in NPV reduction) following the decision point, with delivery of the remaining required assistance at the completion point (end-2003) through a stock-of-debt operation also on Cologne terms. Paris club creditors would be expected to take action on post-cutoff date debt in order to meet their share of assistance under the enhanced HIPC Initiative.
- At least comparable treatment to the Paris club group of creditors would be provided by non-Paris club official bilateral creditors (see Table 3).
- The total IMF assistance would be about US\$121 million in NPV terms. The IMF is expected to deliver interim assistance of US\$48 million and assistance of US\$73 million at the completion point. The profile of assistance is expected to reduce the debt service to the Fund by US\$14 million per year on average from completion point in 2003 to 2010.
- The total IDA assistance would be about US\$119 million in NPV terms. Immediately following the approval of the decision point by the Boards of IDA and the Fund, IDA would begin providing interim assistance in the form of an 83 percent reduction of Sierra Leone's debt service to IDA, and continue providing relief as an 83 percent reduction in debt service after Sierra Leone reaches its completion point under the enhanced HIPC Initiative. The assumed modality would provide 10 percent of the required reduction in NPV of debt during the interim period, and the remaining portion after the completion point.

⁹ Pledges by bilateral creditors to offer debt relief beyond the HIPC Initiative will lower the NPV of debt by an additional US\$41 million, and reduce the NPV of debt-to-exports to 109 percent.

E. Impact of HIPC Assistance

23. Sierra Leone's external debt would be reduced significantly with the delivery of assistance under the enhanced HIPC Initiative. The NPV of debt-to-exports ratio would decline to 136 percent by 2004, 117 percent by 2010, and 69 percent by 2020. The debt service-to-exports ratio would decrease sharply from 52 percent in 2000 to 9 percent in 2005, 6 percent by 2010, and 4 percent by 2020. The debt service-to-revenue ratio would decline from 69 percent in 2001 to 16 percent in 2004 and decline steadily thereafter to 7 percent in 2020. Debt service savings would amount to about US\$54 million per year between 2002 and 2004 (7 percent of GDP per year), averaging US\$32 million over the period 2001- 2020 (or about 2 percent of GDP per year).

F. Sensitivity Analysis

24. Two alternative scenarios were carried out to test the sustainability of Sierra Leone's external debt after HIPC debt relief (Table 8). In **the first alternative scenario**, the recovery of rutile and bauxite exports were assumed to be more modest than envisaged, contributing to a slower real GDP growth and growth of Sierra Leone's exports of goods and non-factor services at 9 percent per year compared with 14 percent per year in the baseline scenario¹⁰. Assuming that official financing and government's public investment rate are maintained as in the baseline scenario, (Annex 1), the ratio of NPV of total debt to exports of goods and non-factor services after HIPC debt relief, would decline to 136 percent in 2004 and decrease slowly to 130 percent by 2020. Under this alternative scenario, Sierra Leone would thus still have sustainable debt levels. **The second alternative scenario** examined the sustainability of debt after HIPC debt relief assuming that multilateral financing needed after the completion point is on less concessional terms than in the baseline scenario¹¹. In this scenario, the NPV of debt to export of goods and services ratio remains generally below 150 percent throughout the projection period (except for 2008-10), falling from 173 percent in 2003 to 74 percent in 2020. Given the nearly 80 percent reduction in total debt, Sierra Leone's debt and debt servicing indicators after the HIPC Initiative are likely to remain favorable even under relatively conservative assumptions of export growth and levels of concessional financing.

¹⁰ In this alternative scenario, we assumed: 70 percent of projected rutile production is realized, and 4 percent growth in bauxite production compared with 6 percent in the baseline scenario. These were assumed to account for a 2 percentage points drop in real GDP growth per year.

¹¹ Beginning in 2004, after completion point, we assumed a level of concessional terms in multilateral loans corresponding to 25 percent of grant element on new debt compared with 47 percent in the baseline scenario.

IV. DECISION AND COMPLETION POINTS

A. PRSP Process

25. The government finalized the I-PRSP at end-May 2001 following extensive discussions with working groups, composed of civil society, private sector representatives, donors and government officials. Subsequent to its approval by Cabinet, the government transmitted the I-PRSP to the management of the IMF and IDA in June 2001 and a full PRSP is planned to be ready by end-2002. Stakeholders' consultations and participation to ensure maximum ownership will be based on focus group discussions, working committees and radio and television discussions. A number of technical studies are also planned for the preparation of the PRSP in order to update the poverty profile and to develop pro-poor economic strategies. High on the government's priority list is the establishment of a monitoring system for the PRSP (including a household income and expenditure survey in 2001 and a new population census and in 2002), including the development of a generalized poverty map. A full-time coordinator to be funded by IDA under the Public Sector Management Support Project II is expected to head the Poverty Reduction Secretariat, responsible for coordinating the government's poverty reduction strategy and preparation of the PRSP.

B. Possible Decision Point Timing

26. In the staffs' view, Sierra Leone's track record of macroeconomic stabilization and reforms since the mid-1990's (notwithstanding the fragile security environment), its submission of the I-PRSP as well as current status of data reconciliation and the debt sustainability analysis would allow the decision point for debt reduction to be reached by December 2001.

- *Use of HIPC Interim Relief:* The authorities intend to use interim relief to finance critical poverty activities. Use of the funds will likely support rehabilitation activities, resettlement and reintegration of war victims, and enhancing government services in the areas of primary education and health activities at decentralized levels, direct community support programs in nutrition and basic infrastructure, as well as the establishment of a monitoring system for the PRSP;
- *PRGF Status:* Sierra Leone has performed satisfactorily under the Fund's Post Conflict program in 2000 and a three year PRGF-supported arrangement is being submitted for Fund Board consideration by end-July 2001.

C. Floating Completion Point

27. IDA and IMF staff have, in principle, reached understandings with the government on triggers for the floating completion point. Items 1–3 in Box 2 below would be standard general triggers, to be complemented by satisfactory performance on a few specific and easily

Box 2. Possible Triggers for Floating Completion Point

- 1 A full PRSP has been prepared through a participatory process and satisfactorily implemented for at least one year as evidenced by the Joint Staff Assessment of the country's annual progress report;
- 2 Continued maintenance of macroeconomic stability as evidenced by satisfactory implementation of the PRGF-supported program;
- 3 Budgetary savings from interim debt service relief have been used in accordance with the criteria set forth at the decision point. The use of interim debt relief has been reported and discussed by a national consultative group on debt relief on a semi-annual basis;
- 4 Satisfactory progress on key policy measures and targets drawn from those outlined below, and to be refined during further discussion with the government:

Governance measures: These may include: (a) completing the demobilization of remaining combatants under the DDR program; (b) increasing the number of displaced persons resettled in their rural communities; (c) reestablishment of provincial and district government capacity; and (d) establishment of a monitoring system for tracking allocation of public expenditures on poverty and rural development.

Structural Measures: Possible measures to be discussed will cover growth-promoting reforms in such areas as public sector enterprises reform and divestiture.

Social and Poverty Targets: (i) *Education.* Targets may include: an agreed increase in the number of children enrolled in primary and secondary schools; an agreed increase in the number of rural schools rehabilitated and reconstructed; and an increase in availability of textbooks in schools. (ii) *Health.* Targets may include: increased rate of child immunizations, increased access of the rural population to safe water; increased access to sanitary toilet facilities in rural areas, and rehabilitation of rural primary healthcare facilities.

monitorable policy measures in areas with growth and poverty implications, which form part of the ongoing dialogue with the Sierra Leone authorities (Item 4 in Box 2). These policy measures place special emphasis on pro-poor policy reform and expenditure policy in education, health and basic infrastructure and on improved transparency and accountability in financial management in the public sector. Such public sector reforms are necessary to foster a friendly investment climate as well as to improve the efficiency in the allocation and use of scarce resources directly benefiting the poor. Should Sierra Leone remain on track with implementation of its poverty reduction strategy, and its economic reforms supported by the PRGF, then completion point could be reached as early as end-2003.

D. Monitoring the Use of HIPC Resources

28. A new budget monitoring and accounting code has been put in place from 2001 to track allocations of public resources by activity and region and to monitor resource use in rural areas. The authorities have also established, through the Medium Term Expenditure Framework Technical Committee (MTEF/TC), mechanisms such as periodic workshops and meetings for the frank exchange of views with Ministries, Departments and Agencies (MDAs) on budget formulation, implementation, monitoring and review. The MTEF/TC, comprising representatives from government, the university and civil society groups, has also been mandated to sensitize beneficiaries and civil society in budgetary oversight. The sensitization

exercise has already been done in all safe communities and regions. On the basis of the lessons learned from the sensitization exercise, the authorities will facilitate the formation of community budgetary oversight committees, as well as ensure the periodic publication of information on budgetary provisions and service delivery at the local level. In effect, **the government will empower local communities to participate in defining development priorities and strategies, reviewing public expenditure and in monitoring service delivery**. In partnership with community stakeholder representatives, government technical committees will, therefore, share the responsibility of monitoring and tracking expenditures during the implementation of the poverty reduction strategy. Regular public expenditure reviews will also be conducted in collaboration with major donors to translate poverty reduction priorities into expenditure plans. Once the decision point has been reached, a supplementary budget will be prepared by the government and submitted for approval by the Parliament¹². This will indicate the resource savings on the debt service resulting from HIPC, and procedures will be put in place to ensure that the poverty reduction objectives benefit from these resources (See Box 3 for potential primary areas).

V. ISSUES FOR DISCUSSION

29. This paper presents a preliminary assessment of Sierra Leone's eligibility for assistance under the enhanced HIPC Initiative. Executive Director's views and guidance are sought on the following issues:

- **Eligibility:** Do Directors consider Sierra Leone to be eligible for assistance under the enhanced HIPC Initiative?
- **Timing of the Decision Point.** Do Directors agree that Sierra Leone could reach its decision point in December 2001, provided that (a) the Boards of the Fund and IDA find that the I-PRSP provides a sound basis for their concessional assistance and (b) the country remains on-track with its IDA and PRGF-supported programs?
- **Floating Completion Point.** What are Directors' views on the possible triggers and key policy measures (for which satisfactory performance has to be achieved) linked to the floating completion point?

¹² Reaching the decision point in December 2001 would allow budgetary proposals for 2002 to take into account the interim relief.

Box 3. Expenditure Priorities from Use of Debt Relief

Governance and National Security

- Resettlement and reintegration of ex-combatants;
- Extending security and police services to all rural areas;
- Restoring displaced paramount chiefs in rural districts;
- Conducting democratic national and local government elections;
- Restoring government administration in rural areas.

Health

- Continue to rehabilitate and staff health centers and clinics based on an overall health sector strategy;
- Improve access to potable water supplies;
- Implement public awareness programs to promote practices of safe sex in order to control the spread of HIV/AIDS;
- Implement counseling program for children, women, and orphans affected by war abuses;
- Implement program to reduce the incidence of malaria and tuberculosis epidemics;
- Improve the performance of the national child vaccination program.

Education

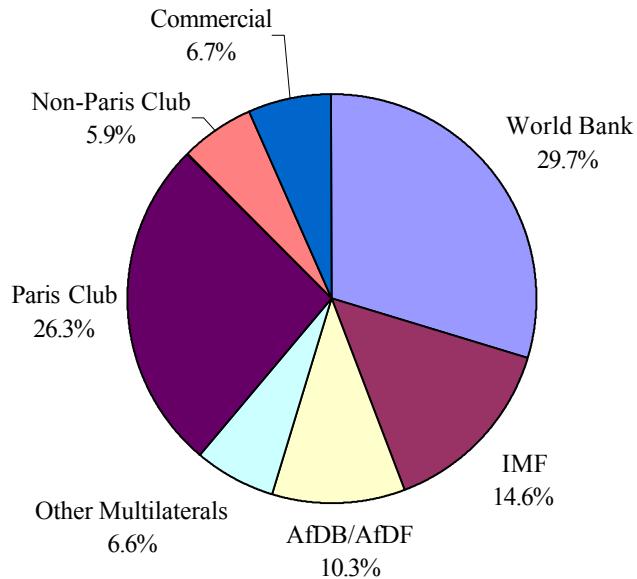
- Introduce free primary education nationally;
- Continue to fund provision of textbooks and extend the subsidized school-bus service to rural areas;
- Rehabilitate or reconstruct rural schools damaged or destroyed.

Infrastructure

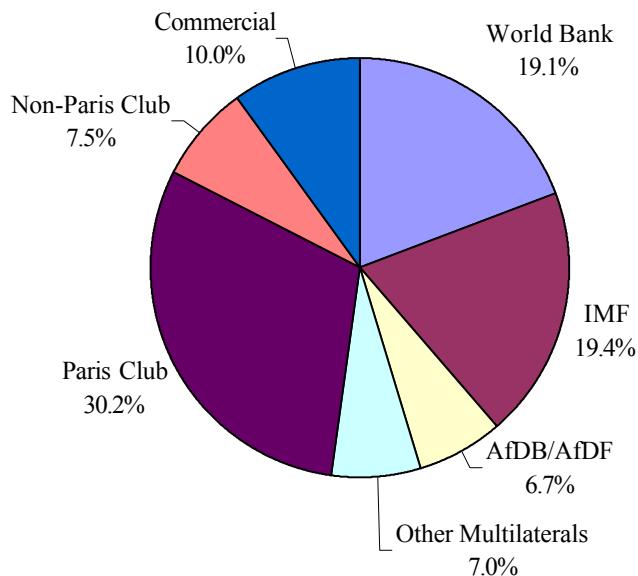
- Rehabilitate rural water supply systems;
- Rehabilitate key rural roads and bridges;
- Improve solid waste management systems.

Figure 1. Sierra Leone: Composition of Stock of External Debt, end-December, 2000.
Before full use of traditional debt relief mechanisms.

Nominal Value of Debt: US \$1190 million



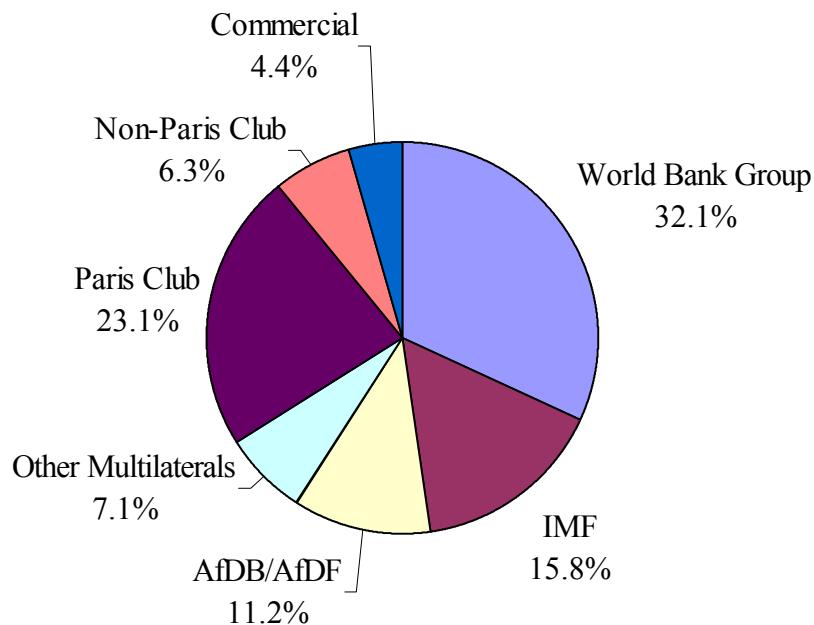
Present Value of Debt: US \$792 million



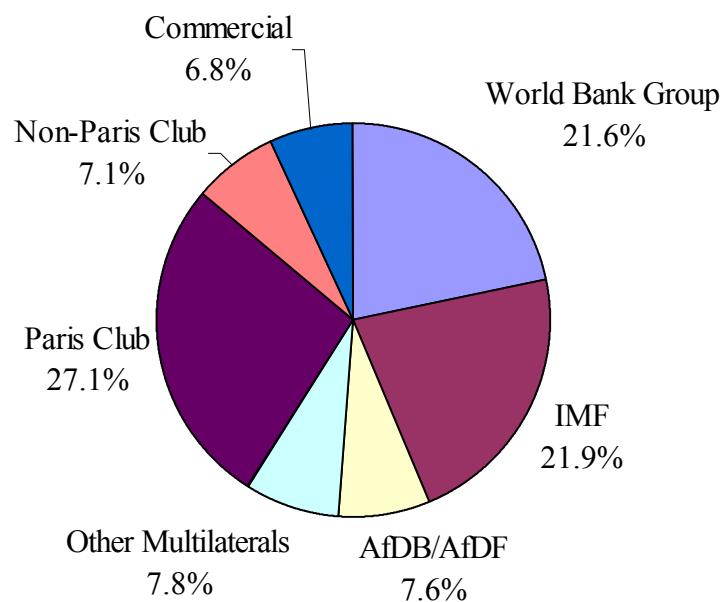
Sources: Sierra Leonean authorities; and staff estimates.

Figure 2. Sierra Leone: Composition of Stock of External Debt, end-December, 2000
After full use of traditional debt relief mechanisms.

Nominal Value of Debt: US \$1101 million

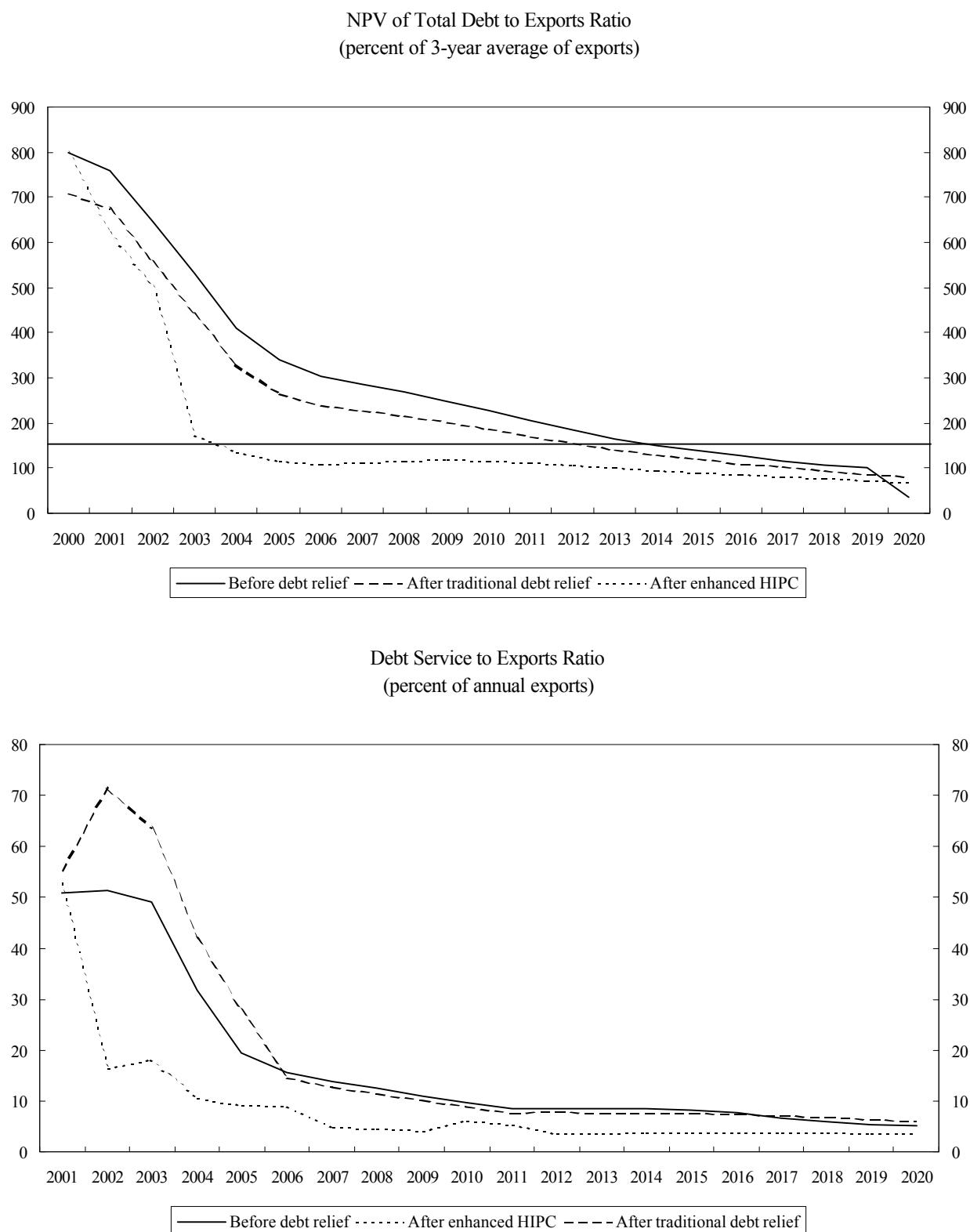


Present Value of Debt: US \$701 million



Sources: Sierra Leonean authorities; and staff estimates.

Figure 3. Sierra Leone: Benefits from the HIPC Initiative, 2000-2020



Source: Sierra Leonean authorities; and staff estimates and projections.

Table 1. Sierra Leone: Selected Economic and Financial Indicators, 1997-2006

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
		Act.	Act.	Act.	Prel.	Proj.	Proj.	Proj.	Proj.	Proj.
Income and expenditure										
Real GDP	-17.6	-0.8	-8.1	3.8	5.0	6.0	7.0	7.0	6.5	6.0
GDP deflator	16.8	27.0	25.0	6.1	8.0	5.0	5.0	5.0	5.0	5.0
Nominal GDP	-3.8	26.0	14.9	10.2	13.4	11.3	12.3	12.7	12.2	11.8
Consumer prices (end of period)	66.9	-5.7	36.7	-2.7	8.0	5.0	5.0	5.0	5.0	5.0
Consumer prices (annual average)	14.9	35.5	34.1	-0.9	8.0	5.0	5.0	5.0	5.0	5.0
Money and credit										
Broad money										
(including foreign currency deposits)	47.1	11.3	40.8	9.7	14.4	10.2	12.7	12.5	12.1	11.9
(excluding foreign currency deposits)	55.9	4.3	47.5	7.7	15.2	11.9	13.0	20.2	11.3	11.1
Velocity (level; excl. foreign currency deposits)	7.4	8.9	6.9	7.1	7.0	7.0	6.9	6.5	6.5	6.6
Velocity (level; incl. foreign currency deposits)	6.6	7.5	6.1	6.1	6.1	6.1	6.1	6.1	6.1	6.1
Domestic credit 1/	57.5	17.6	56.2	-12.5	11.0	8.8	1.8	-4.6	-6.1	-4.8
Government 1/	50.9	16.7	58.8	-14.3	9.5	7.0	0.0	-6.5	-8.3	-9.0
Private sector 1/	6.2	1.2	-2.6	1.5	1.7	1.8	1.8	1.9	2.2	4.1
(annual percentage change)	24.6	5.8	-12.6	12.1	13.0	14.0	13.4	14.4	16.7	29.6
Reserve money	109.0	-20.4	39.0	9.2	22.2	13.8	10.5	11.6	11.8	11.2
Interest rate 2/	8.8	34.4	34.7	20.5	20.0	18.0	15.0	13.0	12.0	12.0
External sector										
Exports (U.S. dollars)	-16.0	-26.2	-5.7	22.3	9.5	27.6	33.5	40.0	11.8	6.7
Imports (U.S. dollars) 3/	-56.1	4.9	-19.9	100.4	49.3	37.4	-7.0	0.4	10.4	7.5
Terms of trade (- deterioration)	-0.5	5.0	-4.9	-3.3	0.9	1.8	1.8	1.1	0.9	1.3
Real effective exchange rate (- depreciation), end of period	24.3	-27.7	2.1	32.1	...	...	...	...	...	...
Consumption										
Government	104.3	101.9	105.7	108.1	104.0	101.8	100.1	93.5	92.7	91.8
Private	9.0	8.9	11.5	16.7	16.0	16.0	15.4	15.2	15.0	15.4
Gross investment	95.3	93.0	94.3	91.4	88.0	85.8	84.7	78.3	77.7	76.4
Government	-2.4	5.3	0.3	8.0	20.0	29.0	21.0	20.0	20.0	20.0
Private	1.5	4.9	2.4	6.3	15.0	15.6	14.4	13.3	12.4	11.3
Gross national saving	-3.9	0.4	-2.1	1.7	5.0	13.4	6.6	6.7	7.6	8.7
Gross domestic saving	-3.4	-1.0	-2.5	-1.8	6.8	11.1	9.2	14.7	14.2	13.2
Government	-4.3	-1.9	-5.7	-8.1	-4.0	-1.8	-0.1	6.5	7.3	8.2
Private	-3.6	-1.6	-4.4	-5.1	-3.7	-3.3	-2.2	-1.0	0.2	0.8
Current account balance, including official transfers	-0.7	-0.3	-1.3	-3.0	-0.3	1.5	2.1	7.5	7.2	7.4
Current account balance, excluding official transfers	-1.0	-6.3	-2.8	-9.8	-13.2	-17.9	-11.8	-5.3	-5.8	-6.8
Goods and nonfactor services (net)	-3.2	-9.1	-8.0	-18.1	-27.9	-34.0	-24.8	-17.5	-17.0	-16.6
Unrequited private transfers and factor services (net)	-1.9	-7.2	-6.0	-16.1	-25.8	-30.8	-21.5	-13.9	-13.4	-13.3
Overall balance of payments	-1.3	-1.9	-2.0	-2.0	-2.1	-3.2	-3.3	-3.6	-3.6	-3.3
Overall balance of payments	-3.6	-7.1	-5.7	0.4	-0.9	-0.1	-0.6	-2.0	-0.6	-1.4
Government revenue	5.4	7.3	7.1	11.4	12.3	12.7	13.2	14.2	15.2	16.2
Total expenditure and net lending	13.0	20.1	22.0	28.7	40.7	40.1	35.6	33.6	31.0	30.1
Of which : current expenditure	11.5	15.2	19.5	22.7	25.4	24.9	21.2	20.2	18.6	18.8
Overall fiscal balance										
(commitment basis, excluding grants)	-7.5	-12.8	-14.9	-17.3	-28.4	-27.4	-22.4	-19.4	-15.8	-13.9
(commitment basis, including grants)	-7.0	-10.4	-9.5	-9.3	-14.0	-11.3	-9.4	-7.2	-4.6	-4.2
Domestic primary fiscal balance 4/	-4.1	-3.8	-5.5	-5.5	-6.1	-5.0	-4.1	-3.0	-1.8	-1.6
Domestic financing	4.3	4.0	7.4	0.1	1.4	1.0	0.0	-0.5	-1.2	-1.3
External debt 5/	134.6	175.7	178.2	185.5	181.1	143.5	120.0	99.9	90.3	79.8
Debt service due 6/	30.7	47.8	58.3	47.8	53.3	55.2	52.0	33.7	21.2	15.7
External interest due 6/	8.7	15.7	18.0	12.8	20.3	11.7	9.3	6.8	6.0	5.7
Memorandum items:										
External current account balance, excluding										
official transfers	-27.5	-60.8	-53.0	-115.0	-208.1	-274.0	-218.2	-168.1	-177.3	187.9
Gross international reserves	38.5	43.5	38.3	49.6	57.6	69.0	79.0	90.0	85.0	100.0
(months of imports) 7/	2.8	3.1	2.0	1.8	1.6	2.0	2.2	2.3	2.2	2.4
GDP (billions of leones)	834.5	1,051.3	1,207.7	1,330.3	1,507.9	1,678.0	1,885.2	2,125.3	2,385.3	2,667.1
Exchange rate (leones per U.S. dollar)	981.9	1,565.4	1,819.3	2,098.3	...	...	...	...	...	...

Sources: Sierra Leonean authorities; and staff estimates and projections.

1/ Changes as a percentage of beginning-of-period money stock (including foreign currency deposits).

2/ Treasury bill rate (end of period).

3/ Includes imports purchased with bilateral aid and those related to rehabilitation and reconstruction programs.

4/ Domestic revenue minus total expenditure and net lending, excluding interest payments and externally financed capital expenditure and DDR program.

5/ Includes arrears and new identified disbursements.

6/ Before debt relief.

7/ In months of imports of goods and services of subsequent year.

Table 2. Sierra Leone: Main Assumptions on Macroeconomic Framework, 2000-2020

	2000 Est.	2001 Proj.	2002 Proj.	2003 Proj.	2004 Proj.	2005 Proj.	2006 Proj.	2007 Proj.	2008 Proj.	2009 Proj.	2010 Proj.	2015 Proj.	2020 Proj.	Average 2000-2010	Average 2011-2020	
Economic growth and prices																
(Annual percentage change; period average)																
Real GDP	3.8	5.0	6.0	7.0	7.0	6.5	6.0	6.0	6.0	6.0	6.0	6.0	6.0	5.9	6.0	
Real GDP per capita	2.8	3.4	3.9	4.9	4.4	3.9	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.6	3.4	
Consumer prices	-0.9	8.0	5.0	5.0	5.0	5.0	5.0	4.0	4.0	4.0	4.0	4.0	3.0	4.4	3.7	
Balance of payments																
(In billions of leones, unless otherwise specified)																
Exports of goods and nonfactor services (GNFS) (in millions of U.S. dollars)	230.8	238.9	306.1	398.6	549.5	629.2	692.0	788.7	875.1	1,006.3	1,137.7	2,017.1	3,118.8	623.0	2,163.9	
Exports of goods and nonfactor services (3-year mvg. avg.) (in millions of U.S. dollars)	110.0	118.3	147.0	185.8	248.4	275.7	294.0	328.0	356.2	400.9	443.7	706.9	1,011.1	264.4	745.4	
As a percent of GDP	15.0	15.7	17.2	18.6	22.0	24.6	26.1	26.3	26.4	26.9	27.3	29.4	27.3	22.4	28.7	
Imports of goods and nonfactor services (in millions of U.S. dollars)	445.4	627.7	822.7	804.3	845.2	949.3	1,047.0	1,117.1	1,206.5	1,293.1	1,402.1	2,149.7	3,244.5	960.1	2,303.0	
Current account, excluding grants (in millions of U.S. dollars)	212.3	310.7	395.2	374.9	382.0	416.0	444.8	464.6	491.1	515.2	546.8	753.4	1,051.9	414.0	794.1	
Current account, including grants (in percent of GDP) (in millions of U.S. dollars)	-241.3	-420.4	-570.5	-468.0	-371.9	-404.5	-442.4	-421.8	-428.2	-388.3	-360.2	-225.4	-197.9	-410.7	-228.8	
Aid flows (in million of U.S. dollars)	-115.0	-208.1	-274.0	-218.2	-168.1	-177.3	-187.9	-175.4	-174.3	-154.7	-140.5	-79.0	-64.1	-181.2	-80.2	
Project loans	-9.8	-13.2	-17.9	-11.8	-5.3	-5.8	-6.8	-7.2	-6.5	-7.1	-6.0	-1.8	-0.9	-8.9	-1.9	
Program loans	-62.2	-98.4	-144.5	-104.0	-50.9	-60.7	-76.9	-88.3	-87.6	-103.3	-96.1	-44.2	-34.1	-88.4	-45.9	
Project grants	25.8	67.4	55.4	55.0	55.0	55.0	55.0	55.0	55.0	55.0	55.0	55.0	55.0	53.5	55.0	
Program grants	47.9	38.0	43.0	43.0	22.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	25.8	15.0	
Overall balance (in millions of US dollars)	7.7	-6.5	-1.0	-4.9	-19.0	-5.8	-15.9	-19.7	-8.3	-8.4	-2.6	59.1	113.8	-8.1	68.4	
Overall financing gap (in millions of U.S. dollars)	0.0	454.9	107.4	142.8	149.1	96.4	107.9	82.6	58.2	63.7	59.3	5.1	0.1	120.2	1.7	
Gross official reserves (in million of U.S. dollars)	49.6	57.6	69.0	79.0	90.0	114.0	140.0	154.0	169.4	186.3	206.8	460.1	897.5	119.6	520.3	
Gross official reserves (in months of GNFS imports) 1/	1.8	1.6	2.0	2.2	2.3	2.7	3.2	3.3	3.5	3.7	3.8	6.2	8.8	2.7	6.5	
Export volume growth (percentage change) 2/	17.3	9.2	25.8	31.8	37.6	10.0	5.0	10.2	6.5	11.3	8.9	4.7	5.2	15.8	6.4	
Import volume growth (percentage change)/2	56.6	50.2	38.0	-6.5	-0.3	9.6	6.5	4.3	5.0	4.8	5.5	6.0	6.2	15.8	6.0	
Terms of trade (percentage change)	-3.3	0.9	1.8	1.8	1.1	0.9	0.7	1.6	1.6	1.5	1.5	1.5	1.5	0.9	1.5	
Oil prices (US\$ per barrel)	28.2	25.5	22.5	20.0	19.8	19.5	19.5	19.5	19.5	19.5	19.5	19.5	19.5	21.2	19.5	
Memorandum items:																
Nominal GDP	1,330.3	1,507.9	1,678.0	1,885.2	2,125.3	2,385.3	2,667.1	2,967.2	3,301.1	3,672.6	4,086.0	6,964.2	11,534.0	2,509.6	7,632.1	
In billions of leones	10.2	13.4	11.3	12.3	12.7	12.2	11.8	11.3	11.3	11.3	11.3	11.3	10.2	11.7	10.9	
Percentage change	634.0	746.4	806.1	878.8	960.6	1,045.2	1,133.1	1,233.9	1,343.7	1,463.3	1,593.6	2,440.7	3,739.3	1,076.2	2,624.3	
Government revenues	In billions of leones	152.2	185.0	213.2	249.6	301.9	362.6	431.6	487.3	550.0	620.7	700.4	1,277.3	2,253.9	386.8	1,424.3
In millions of U.S. dollars	72.5	91.5	102.4	116.3	136.4	158.9	183.3	202.6	223.9	247.3	273.2	447.7	730.7	164.4	488.9	
Gross foreign reserves	49.6	57.6	69.0	79.0	90.0	114.0	140.0	154.0	169.4	186.3	206.8	460.1	897.5	119.6	520.3	
GDP per capita (in U.S. dollars)	134.3	155.8	165.0	176.3	188.1	199.6	211.1	224.3	238.3	253.2	269.0	364.2	493.1	201.4	381.1	
Real GDP per capita, (in 2000 prices, in U.S. dollars)	134.3	138.9	144.4	151.4	158.0	164.2	169.7	175.4	181.3	187.4	193.8	228.7	270.0	163.5	233.6	
Population growth rate (percentage change)	1.0	1.5	2.0	2.0	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.2	2.5	

Sources: Sierra Leonean authorities; staff estimates and projections.

1/ In months of imports of subsequent year.

2/ Merchandise exports and imports, respectively.

Table 3. Sierra Leone: Nominal and Net Present Value of External Debt Outstanding, end-December, 2000.

	Nominal debt before rescheduling			NPV of debt before rescheduling			NPV of debt after rescheduling 1/			Enhanced HIPC Initiative Assistance NPV terms
	Millions of U.S. dollars	Percent of total	Percent of group	Millions of U.S. dollars	Percent of total	Percent of group	Millions of U.S. dollars	Percent of total 3/	Percent of group	
Total	1,190.4	100.0	...	791.6	100.0	...	701.0	100.0	...	552.7
Multilateral institutions										
African Development Fund	728.1	61.2	100.0	413.9	52.3	100.0	413.5	59.0	100.0	326.0
BADEA	123.2	10.3	16.9	53.4	6.7	12.9	53.4	7.6	12.9	42.1
European Union	11.3	0.9	1.5	8.0	1.0	1.9	8.0	1.1	1.9	6.3
European Investment Bank	1.8	0.2	0.3	3.0	0.4	0.7	3.0	0.4	0.7	2.3
IFAD	31.1	2.6	4.3	22.1	2.8	5.3	21.9	3.1	5.3	17.3
IMF	20.4	1.7	2.8	9.8	1.2	2.4	9.8	1.4	2.4	7.7
World Bank	173.6	14.6	23.8	153.7	19.4	37.1	153.7	21.9	37.2	121.2
Islamic Development Bank	353.2	29.7	48.5	151.5	19.1	36.6	151.5	21.6	36.6	119.5
OPEC	2.6	0.2	0.4	1.4	0.2	0.3	1.4	0.2	0.3	1.1
Official bilateral creditors										
Paris Club	383.1	32.2	...	298.5	37.7	...	239.8	34.2	...	189.0
Post-cutoff date	313.2	26.3	100.0	239.1	30.2	100.0	190.0	27.1	100.0	149.8
Pre-cutoff date	97.7	8.2	31.2	76.6	9.7	32.0	75.9	10.8	40.0	...
Of which: ODA	215.5	18.1	68.8	162.5	20.5	68.0	115.3	16.5	60.7	...
Non-ODA	83.6	7.0	26.7	47.4	6.0	19.8	43.7	6.2	23.0	...
Of which:										
Austria	0.4	0.0	0.1	0.2	0.0	0.1	0.1	0.0	0.1	...
Belgium	17.7	1.5	5.7	13.1	1.7	5.5	7.5	1.1	3.9	...
France	13.1	1.1	4.2	14.2	1.8	6.0	8.8	1.3	4.7	...
Germany	13.3	1.1	4.3	14.3	1.8	6.0	9.1	1.3	4.8	...
Italy	53.5	4.5	17.1	44.5	5.6	18.6	36.5	5.2	19.2	...
Japan	68.6	5.8	21.9	36.3	4.6	15.2	36.3	5.2	19.1	...
Netherlands	27.2	2.3	8.7	29.3	3.7	12.3	18.4	2.6	9.7	...
Norway	9.4	0.8	3.0	8.7	1.1	3.7	6.3	0.9	3.3	...
Switzerland	21.5	1.8	6.9	14.1	1.8	5.9	9.0	1.3	4.7	...
United Kingdom	11.0	0.9	3.5	9.2	1.2	3.8	7.7	1.1	4.0	...
United States	77.5	6.5	24.7	55.1	7.0	23.0	50.4	7.2	26.5	...
Non-Paris Club Official Bilateral										
Post-cutoff date	69.9	5.9	100.0	59.4	7.5	100.0	49.8	7.1	100.0	39.2
Pre-cutoff date	57.8	4.9	82.6	47.2	6.0	79.6	46.9	6.7	94.2	...
Of which: ODA	12.1	1.0	17.4	12.1	1.5	20.4	2.9	0.4	5.8	...
Non-ODA	12.1	1.0	17.4	12.1	1.5	20.4	2.9	0.4	5.8	...
Of which:										
China	44.7	3.8	63.9	37.5	4.7	63.2	37.2	5.3	74.8	...
Kuwait	11.8	1.0	16.9	8.5	1.1	14.3	8.5	1.2	17.0	...
Morocco	12.1	1.0	17.4	12.1	1.5	20.4	2.9	0.4	5.8	...
Saudi Arabia	1.3	0.1	1.8	1.2	0.2	2.1	1.2	0.2	2.5	...
Commercial loans	79.2	6.7	...	79.2	10.0	...	47.7	6.8	...	37.6

Sources: Sierra Leonean authorities; and staff estimates.

1/ After full use of traditional debt relief mechanisms and comparable treatment by Non-Paris Club official bilateral and commercial creditors at end-2000.

Table 4. Sierra Leone HIPC Initiative: Assistance Levels Under a Proportional Burden-Sharing Approach 1/
(in millions of US dollars in end-December 2000 NPV terms; unless otherwise indicated) 2/

	Total	Multilaterals	Bilaterals	Commercial Banks	Common Reduction Factor 3/ (Percent)	Memo item: Required NPV debt reduction on comparable treatment on bilateral debt based on overall exposure 4/ (Percent)
NPV of debt-to-exports target (in percent)	150					
Debt relief under baseline scenario	553	326	189	38	78.8	
NPV of debt 5/ 6/	701	414	240	48		
Three-year export average	99					
NPV of debt-to-export ratio (percent) 7/	709					
Paris Club Creditors:	190				92.9	
of which pre-cod non-ODA	72				136.4	
Non-Paris Club Creditors:	50				92.9	
of which pre-cod non-ODA	0				...	
Commercial Creditors:	48				92.9	

Sources: Sierra Leonean authorities; and staff estimates and projections.

1/ Assumes proportional burden-sharing as described in "HIPC Initiative: Estimated Costs and Burden-Sharing Approaches" (EBS/97/127; 7/7/97, and IDA/SEC M97-306;7/7/97), that is, after full application of traditional debt relief mechanisms.

2/ Using six-month backward-looking discount rates at end-December 2000, and end-2000 exchange rates.

3/ Each creditor's NPV reduction in percent of its exposure at the decision point (after hypothetical Naples stock at the end of the base year).

4/ Includes traditional debt relief; a hypothetical stock-of-debt on Naples terms with comparable treatment from non Paris Club creditors.

5/ After a hypothetical stock-of-debt operation on Naples terms at end-2000.

6/ Based on latest data available at the decision point after full application of traditional debt relief mechanisms.

7/ Based on the three-year backward looking average of exports of goods and nonfactor services (e.g. 1998-2000).

Table 5. Sierra Leone: Discount Rate and Exchange Rate Assumptions

	Discount Rates 1/ (in percent)	Exchange Rates 2/ (currency per U.S. dollar)
Currency		
United States Dollar	7.19	1.00
Special Drawing Rights	6.09	0.77
CFA Franc	6.25	704.95
Austrian Schillings	6.25	14.79
Belgian Franc	6.25	43.35
AfDF/B Unit of acct	6.09	0.77
Canadian Dollar	7.00	1.50
Swiss Franc	5.33	1.64
Chinese Yuan	6.09	8.28
Danish Kroner	6.73	8.02
Euro	6.25	1.07
Great Britain Sterling	6.73	0.67
Irish Punt	6.25	0.85
Italian Lira	6.25	2,080.89
Japanese Yen	2.03	114.90
Kuwaiti Dinar	6.09	0.31
Luxembourg Franc	6.25	43.35
Netherland Guilders	6.25	2.37
Norwegian Kroner	8.02	8.85
Saudi Arabia Ryal	6.09	3.75
Swedish Kroner	6.20	9.54
Memorandum Item		
Paris Club cutoff date	July 1, 1983	

Source: European Central Bank; IMF, International Financial Statistics; OECD; and staff estimates.

1/ Average Commercial Interest Reference Rates for respective currencies over the six-month period prior to end-December 2000 (i.e., the end of the period for which actual debt and export data are available).

2/ End-of-period exchange rates as of end-December, 2000.

Table 6. Sierra Leone: Net Present Value of External Debt After Rescheduling, 2000–2020
(in millions of US dollars)

After traditional debt relief 1/	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2015	2020	2000-2010	2011-2020
	Actual	Projected										Average			
NPV of total debt 2/	701.0	727.5	701.2	666.8	635.8	626.1	651.2	673.9	698.3	724.4	753.0	856.0	887.4	687.2	851.1
NPV of old debt	701.0	678.6	618.0	541.2	475.1	432.6	422.2	414.0	406.3	399.0	393.1	347.0	263.5	498.3	334.2
Official bilateral and commercial	287.5	282.6	256.9	231.1	205.2	180.1	175.2	170.2	164.7	159.6	156.4	133.0	89.2	206.3	126.2
Paris Club	190.0	187.9	177.6	167.2	156.8	146.5	144.1	141.4	138.2	134.5	132.2	113.3	76.9	156.0	107.5
post-cuttoff date	74.7	72.7	63.4	54.2	44.8	35.6	33.3	31.0	28.5	25.7	24.6	18.0	10.0	44.4	17.0
pre-cuttoff date	115.3	115.2	114.1	113.1	112.0	110.9	110.7	110.3	109.7	108.8	107.6	95.3	66.9	111.6	90.5
o/w ODA	43.7	43.6	42.7	41.8	40.9	40.0	39.9	39.8	39.7	39.6	39.5	39.1	38.1	41.0	38.9
Other official bilateral	49.8	47.1	39.8	32.5	25.1	18.5	16.0	13.8	11.5	10.3	9.6	7.8	6.2	24.9	7.6
post-cuttoff date	46.9	44.1	36.8	29.3	21.9	15.2	12.5	10.2	7.8	6.4	5.6	2.7	0.5	21.5	2.6
pre-cuttoff date	2.9	3.0	3.0	3.1	3.2	3.4	3.5	3.6	3.7	3.9	4.0	5.0	5.7	3.4	5.1
o/w ODA	2.9	3.0	3.0	3.1	3.2	3.4	3.5	3.6	3.7	3.9	4.0	5.0	5.7	3.4	5.1
Commercial	47.7	47.6	39.5	31.3	23.2	15.1	15.1	15.0	14.9	14.7	14.5	12.0	6.1	25.3	11.0
post-cuttoff date	32.6	32.5	24.4	16.2	8.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	10.3	0.0
pre-cuttoff date	15.2	15.2	15.1	15.1	15.1	15.1	15.1	15.0	14.9	14.7	14.5	12.0	6.1	15.0	11.0
Multilateral	413.5	396.0	361.1	310.2	269.9	252.5	247.0	243.8	241.6	239.5	236.7	213.9	174.2	292.0	208.1
o/w IMF	18.4	18.4	18.3	18.2	18.2	18.1	18.1	18.0	17.8	17.6	17.3	30.0	0.0	18.0	25.6
o/w World Bank	36.3	36.1	35.1	34.2	33.2	32.3	32.1	31.8	31.6	31.4	31.2	0.0	0.0	33.2	3.1
o/w AfDB/AfDF	207.1	186.4	153.2	105.8	70.6	58.8	54.9	53.5	53.4	53.2	53.1	48.3	41.1	95.5	47.4
Others	151.7	155.1	154.5	152.0	148.0	143.4	142.0	140.4	138.8	137.2	135.1	135.6	133.2	145.3	132.0
NPV of new debt	0.0	49.0	83.3	125.6	160.7	193.5	229.0	259.9	292.0	325.3	359.9	509.0	623.9	188.9	516.9
<i>Memorandum items:</i>															
Exports of goods and services 3/	110.0	121.3	147.0	185.8	248.4	275.7	294.0	322.1	353.7	402.2	449.3	780.2	1217.9	264.5	836.7
Three-year export average 4/	98.9	107.8	126.1	151.4	193.7	236.6	272.7	297.3	323.3	359.4	401.7	712.7	1113.4	233.5	761.9
Central government revenue 5/	72.5	91.5	102.4	116.3	136.4	158.9	183.3	202.6	223.9	247.3	273.2	447.7	730.7	164.4	488.9
NPV of debt-to-exports ratio (percent) 6/	708.7	674.7	556.1	440.5	328.1	264.6	238.8	226.7	216.0	201.6	187.4	120.1	79.7	367.6	119.3
NPV of debt-to-revenue ratio (percent)	966.6	794.7	684.8	573.1	466.0	394.1	355.2	332.6	311.9	292.9	275.7	191.2	121.4	495.2	186.3
<i>After enhanced HIPC assistance 7/</i>															
NPV of total debt 2/	791.2	667.5	631.6	261.0	262.8	274.2	296.3	335.4	376.9	421.1	468.8	640.1	771.7	435.2	650.5
NPV of old debt	791.2	618.5	548.4	135.4	102.1	80.7	67.4	75.5	84.9	95.8	108.9	131.1	147.7	246.2	133.6
Official bilateral and commercial	377.7	222.5	225.2	92.6	79.3	66.3	53.4	50.7	47.7	44.7	43.4	35.7	25.4	118.5	34.4
Paris Club	239.1	193.3	196.6	70.0	62.6	55.4	48.1	45.8	43.2	40.4	39.3	32.2	22.7	94.0	31.0
Other official bilateral	59.4	9.7	9.0	7.4	5.8	4.3	2.9	2.5	2.1	1.8	1.7	1.3	1.1	9.7	1.3
Commercial	79.2	19.6	19.5	15.2	10.9	6.7	2.4	2.4	2.4	2.4	2.4	2.2	1.6	14.8	2.1
Multilateral	413.5	396.0	323.2	42.8	22.8	14.4	14.0	24.8	37.2	51.1	65.4	95.4	122.3	127.7	99.2
NPV of new debt	0.0	49.0	83.3	125.6	160.7	193.5	229.0	259.9	292.0	325.3	359.9	509.0	623.9	188.9	516.9
<i>Memorandum items:</i>															
Exports of goods and services 3/	110.0	121.3	147.0	185.8	248.4	275.7	294.0	322.1	353.7	402.2	449.3	780.2	1217.9	246.0	759.9
Three-year export average 4/	98.9	107.8	126.1	151.4	193.7	236.6	272.7	297.3	323.3	359.4	401.7	712.7	1113.4	216.7	690.7
Central government revenue 5/	72.5	91.5	102.4	116.3	136.4	158.9	183.3	202.6	223.9	247.3	273.2	447.7	730.7	153.5	443.1
Old Debt															
NPV of debt-to-exports ratio (percent) 6/	799.8	573.6	434.9	89.5	52.7	34.1	24.7	25.4	26.3	26.6	27.1	18.4	13.3	192.2	18.6
NPV of debt-to-revenue ratio (percent)	1090.9	675.6	535.6	116.4	74.9	50.8	36.7	37.2	37.9	38.7	39.8	29.3	20.2	248.6	29.1
Total Debt															
NPV of debt-to-exports ratio (percent) 6/	799.8	619.0	500.9	172.4	135.6	115.9	108.7	112.8	116.6	117.2	116.7	89.8	69.3	265.1	89.0
NPV of debt-to-revenue ratio (percent)	1090.9	729.1	616.9	224.4	192.6	172.6	161.6	165.5	168.3	170.3	171.6	143.0	105.6	351.3	139.0
Beyond Enhanced HIPC 8/															
NPV of debt-to-exports ratio (percent) 6/	799.8	511.7	404.2	127.2	104.1	93.1	91.6	97.9	103.7	106.3	107.3	85.5	67.4	231.5	84.6
NPV of debt-to-revenue ratio (percent)	1090.9	602.7	497.8	165.5	147.8	138.7	136.2	143.7	149.7	154.5	157.8	136.1	102.6	307.7	132.2
<i>After unconditional delivery of enhanced HIPC assistance 9/</i>															
NPV of total debt 2/	148.4	191.9	211.0	261.0	262.8	274.2	296.3	335.4	376.9	421.1	468.8	640.1	771.7	295.3	650.5
NPV of old debt	148.4	142.9	127.8	135.4	102.1	80.7	67.4	75.5	84.9	95.8	108.9	131.1	147.7	106.3	133.6
Official bilateral and commercial	60.9	59.1	51.4	92.6	79.3	66.3	53.4	50.7	47.7	44.7	43.4	35.7	25.4	59.0	34.4
Paris Club	40.2	39.1	35.5	70.0	62.6	55.4	48.1	45.8	43.2	40.4	39.3	32.2	22.7	47.3	31.0
Other official bilateral	10.5	9.9	8.3	7.4	5.8	4.3	2.9	2.5	2.1	1.8	1.7	1.3	1.1	5.2	1.3
Commercial	10.1	10.1	7.6	15.2	10.9	6.7	2.4	2.4	2.4	2.4	2.4	2.2	1.6	6.6	2.1
Multilateral	87.5	83.8	76.4	42.8	22.8	14.4	14.0	24.8	37.2	51.1	65.4	95.4	122.3	47.3	99.2
NPV of new debt	0.0	49.0	83.3	125.6	160.7	193.5	229.0	259.9	292.0	325.3	359.9	509.0	623.9	188.9	516.9
<i>Memorandum items:</i>															
Old Debt															
NPV of debt-to-exports ratio (percent) 6/	150.0	132.5	101.3	89.5	52.7	34.1	24.7	25.4	26.3	26.6	27.1	18.4	13.3	62.8	18.6
NPV of debt-to-revenue ratio (percent)	204.6	156.1	124.8	116.4	74.9	50.8	36.7	37.2	37.9	38.7	39.8	29.3	20.2	83.5	29.1
Total Debt															
NPV of debt-to-exports ratio (percent) 6/	150.0	178.0	167.4	172.4	135.6	115.9	108.7	112.8	116.6	117.2	116.7	89.8	69.3	135.6	89.0
NPV of debt-to-revenue ratio (percent)	204.6	209.6	206.1	224.4	192.6	172.6	161.6	165.5	168.3	170.3	171.6	143.0	105.6	186.1	139.0
Beyond Enhanced HIPC 8/															
NPV of debt-to-exports ratio (percent) 6/	109.3	141.7	139.2	127.2	104.1	93.1	91.6	97.9	103.7	106.3	107.3	85.5	67.4	111.0	84.6
NPV of debt-to-revenue ratio (percent)	149.1	166.9	171.4	165.5	147.8	138.7	136.2	143.7	149.7	154.5	157.8	136.1	102.6	152.8	132.2

Sources: Sierra Leonean authorities; and staff estimates and projections.

1/ Assumes a stock of debt operation on Naples terms in end-2000 with comparable treatment from non-Paris Club bilateral creditors.

2/ Discounted on the basis of a six-month average of Commercial Interest Reference Rate (CIRR) for July–December 2000. The conversion of currency-specific NPVs into

U.S. dollars occurs for all years at the base date exchange rate (end-December 2000).

3/ As defined in IMF Balance of Payments Manual, 5th edition, 1993.

4/ Backward-looking average (e.g. average over 1998–2000 for exports in 2000).

5/ Converted into U.S. dollars at the end-December 2000 exchange rate.

6/ NPV of debt in percent of three-year average of exports of goods and services.

7/ The NPV of debt for 2001 and 2002 shows only the effect of interim assistance. The resulting NPV is therefore higher than that for traditional debt relief, which assumes a stock-of-debt operation on Naples terms.

Table 7. Sierra Leone: Debt Service Payments on Public and Publicly Guaranteed External Debt, 2001-2020
(in millions of U.S. dollars; unless otherwise indicated)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2015	2020	Average		
													2001-2010	2011-2020	
Before debt relief															
Debt service on outstanding debt	62	75	91	79	54	46	44	44	44	43	63	63	58	58	58
Principal	46	59	75	62	37	29	26	26	26	25	32	23	41	27	27
Multilateral	35	47	62	49	25	17	14	13	13	14	17	18	29	17	17
o/w IMF	28	39	52	37	12	4	1	0	0	0	0	0	17	0	0
o/w World Bank	2	3	5	6	7	7	8	8	8	8	12	13	6	12	12
o/w AfDB/AfDF	1	2	2	3	3	3	3	3	3	3	4	4	2	3	3
Others	3	3	3	3	3	3	3	3	3	3	1	1	3	2	2
Official bilateral	11	12	13	13	12	12	12	13	12	11	15	4	12	11	11
Paris Club	7	7	8	8	8	9	9	10	11	10	15	4	9	10	10
Other official bilateral	4	5	5	5	4	3	3	3	2	1	1	1	4	1	1
Commercial	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Interest	14	13	13	11	10	10	10	9	9	8	5	3	11	5	5
Multilateral	7	6	6	5	4	4	4	4	3	3	3	2	5	3	3
o/w IMF	3	2	2	1	0	0	1	0	0	0	0	0	1	0	0
o/w World Bank	3	3	3	3	3	2	2	2	2	2	2	1	2	2	2
o/w AfDB/AfDF	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Others	1	1	1	0	0	0	0	0	0	0	0	0	0	0	0
Official bilateral	7	7	7	7	6	6	6	6	5	5	3	1	6	2	2
Paris Club	7	7	7	6	6	6	6	5	5	5	2	1	6	2	2
Other official bilateral	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Commercial	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
New borrowing	2	3	4	5	6	7	8	8	9	10	25	38	6	26	26
After traditional debt relief mechanisms 1/															
Debt service on outstanding debt	67	105	118	104	77	43	41	41	40	40	59	74	68	59	59
Principal	44	82	97	84	58	25	22	22	21	19	38	54	47	38	38
Multilateral	35	52	67	54	30	17	14	13	13	14	17	18	31	17	17
o/w IMF	28	39	52	37	12	4	1	0	0	0	0	0	17	0	0
o/w World Bank	2	3	5	6	7	7	8	8	8	8	12	13	6	12	12
o/w AfDB/AfDF	1	2	2	3	3	3	3	3	3	3	4	4	2	3	3
Others	3	8	8	8	8	3	3	3	3	3	1	1	5	2	2
Official bilateral	9	22	22	21	20	8	8	8	7	5	7	11	13	8	8
Commercial	0	8	8	8	8	0	0	0	0	0	1	2	3	1	1
New borrowing	0	0	0	0	0	0	0	0	0	0	13	23	0	13	13
Interest	23	23	22	20	18	18	19	19	20	20	21	20	20	21	21
Multilateral	8	7	6	5	4	4	4	4	3	3	3	2	5	3	3
o/w IMF	3	2	2	1	0	0	1	0	0	0	0	0	1	0	0
o/w World Bank	3	3	3	3	3	2	2	2	2	2	2	1	2	2	2
o/w AfDB/AfDF	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Others	2	2	1	1	1	0	0	0	0	0	0	0	0	1	0
Official bilateral	10	10	9	8	7	6	6	6	6	6	5	3	7	5	5
Commercial	3	3	3	2	1	1	1	1	1	1	1	1	2	1	1
New borrowing	2	3	4	5	6	7	8	8	9	10	13	15	6	13	13
After enhanced HIPC assistance 2/															
Debt service on outstanding debt	63	24	33	26	26	26	16	16	16	27	31	43	27	32	32
Principal	48	14	23	17	16	16	5	5	5	15	17	27	16	18	18
Multilateral	37	8	7	2	1	1	1	1	1	13	1	1	7	2	2
Official bilateral	11	6	12	11	11	10	4	4	4	2	3	3	8	3	3
o/w: Paris Club	7	4	10	9	9	9	4	4	4	2	3	3	6	3	3
Commercial	0	0	4	4	4	0	0	0	0	0	0	0	2	0	0
New borrowing	0	0	0	0	0	0	0	0	0	13	23	0	13	13	13
Interest	15	11	11	9	9	10	11	11	11	12	14	16	11	14	14
Multilateral	7	4	4	1	1	1	1	1	0	1	0	0	2	0	0
Official bilateral	7	4	3	3	3	2	2	2	2	2	1	1	3	1	1
o/w: Paris Club	7	3	3	3	3	2	2	2	2	2	1	1	3	1	1
Commercial	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
New borrowing	2	3	4	5	6	7	8	8	9	10	13	15	6	13	13
<i>Memorandum items:</i>															
Exports	121	147	186	248	276	294	322	354	402	449	780	1218	280	837	837
Debt-service ratio before HIPC relief (percent)	55	71	64	42	28	15	13	11	10	9	8	6	32	7	7
Debt-service ratio after HIPC relief (percent)	52	17	18	11	9	9	5	5	4	6	4	4	13	4	4

Source: Sierra Leonean authorities and staff estimates and projections.

1/ A stock-of-debt under Naples terms is simulated at end-December, 2000.

2/ Completion point is assumed to be reached in December 2003.

Table 8. Sierra Leone: External Debt Indicators and Sensitivity Analysis, 2000–2020 1/ (in millions of US dollars; unless otherwise indicated)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2015	2020	Average	
														2000-2010	2011-2020
Baseline scenario															
Nominal debt stock after traditional debt relief mechanisms	1100.9	1162.4	1179.0	1180.5	1173.7	1185.3	1230.3	1268.6	1307.1	1346.2	1386.9	1522.0	1558.8	1242.0	1509.9
Multilateral	728.1	693.0	641.4	574.7	520.7	491.0	473.8	459.7	446.3	432.8	418.8	341.0	252.4	515.2	339.7
Official Bilateral	324.2	315.3	293.6	272.0	250.6	230.2	222.4	214.8	206.9	199.7	194.6	163.6	116.1	240.0	161.3
o/w Paris Club	254.3	249.9	237.2	224.6	211.8	199.2	194.8	190.1	185.1	179.6	175.6	148.3	104.1	204.8	146.0
o/w Post cutoff date	96.5	93.0	82.1	71.3	60.4	49.6	46.1	42.7	39.0	35.2	33.3	22.6	11.7	55.3	22.6
Commercial	48.6	48.6	40.3	32.0	23.6	15.3	15.3	15.2	15.1	15.0	14.7	12.2	6.2	23.5	11.8
New debt	0.0	105.4	203.8	301.8	378.8	448.8	518.8	578.8	638.8	698.8	758.8	1005.2	1184.0	463.3	997.0
Nominal debt before traditional debt relief (including new debt)	1190.4	1249.6	1288.5	1311.9	1326.5	1359.2	1399.8	1433.4	1467.0	1501.0	1536.0	1637.8	501.6	1387.3	1631.9
NPV of debt	701.0	727.5	701.2	666.8	635.8	626.1	651.2	673.9	698.3	724.4	753.0	856.0	887.4	685.8	847.1
Multilateral	413.5	396.0	361.1	310.2	269.9	252.5	247.0	243.8	241.6	239.5	236.7	213.9	174.2	279.8	211.8
Official Bilateral	239.8	235.0	217.4	199.7	181.9	165.0	160.1	155.2	149.7	144.8	141.9	121.0	83.2	175.1	118.7
o/w Paris Club	190.0	187.9	177.6	167.2	156.8	146.5	144.1	141.4	138.2	134.5	132.2	113.3	76.9	152.6	110.9
o/w Post cutoff date	74.7	72.7	63.4	54.2	44.8	35.6	33.3	31.0	28.5	25.7	24.6	18.0	10.0	41.4	17.8
Commercial	47.7	47.6	39.5	31.3	23.2	15.1	15.1	15.0	14.9	14.7	14.5	12.0	6.1	23.1	11.5
New debt	0.0	49.0	83.3	125.6	160.7	193.5	229.0	259.9	292.0	325.3	359.9	509.0	623.9	207.8	505.0
NPV of debt before traditional debt relief (including new debt)	791.6	817.1	813.6	801.5	792.4	804.2	825.9	844.8	865.1	886.8	910.6	982.2	400.5	832.1	921.3
<i>(in percent of exports of goods & non factor services) 2/</i>															
NPV of debt after traditional debt-relief mechanisms 3/	708.68	674.7	556.1	440.5	328.1	264.6	238.8	226.7	216.0	201.6	187.4	120.1	79.7	333.4	123.7
o/w multilateral	418.0	412.6	352.4	287.9	222.2	188.5	174.6	169.4	165.1	157.2	148.5	101.4	71.7	227.8	103.8
Debt service	--	55.3	71.3	63.7	41.9	27.9	14.7	12.7	11.5	10.1	8.8	7.6	6.1	31.8	7.4
o/w multilateral	--	36.8	42.0	41.5	25.9	14.4	9.4	8.0	7.2	6.5	6.1	5.8	4.8	19.8	5.5
NPV of debt after enhanced HIPC relief 4/	799.8	619.0	500.9	172.4	135.6	115.9	108.7	112.8	116.6	117.2	116.7	89.8	69.3	211.6	91.2
o/w multilateral	418.0	367.2	256.3	28.3	11.8	6.1	5.1	8.3	11.5	14.2	16.3	13.4	11.0	112.7	13.8
NPV of debt after unconditional delivery of enhanced HIPC relief 5/	150.0	178.0	167.4	172.4	135.6	115.9	108.7	112.8	116.6	117.2	116.7	89.8	69.3	134.1	91.2
Debt service after enhanced HIPC relief	--	52.5	16.5	18.1	10.6	9.3	8.8	4.9	4.6	4.0	6.1	3.9	3.5	13.5	4.0
<i>(in percent)</i>															
NPV of debt-to-revenue ratio before traditional debt relief 6/	1641.4	1365.0	1258.4	1127.6	972.3	855.4	763.5	707.4	655.2	606.9	562.3	365.9	68.6	887.4	374.8
NPV of debt-to-revenue ratio after traditional debt relief 6/	966.6	794.7	684.8	573.1	466.0	394.1	355.2	332.6	311.9	292.9	275.7	191.2	121.4	448.1	193.5
NPV of debt-to-revenue after (unconditional) enhanced HIPC relief 5/ 6/	204.6	209.6	206.1	224.4	192.6	172.6	161.6	165.5	168.3	170.3	171.6	143.0	105.6	184.3	142.8
NPV of debt-to-GDP ratio before traditional debt relief	124.9	109.5	100.9	91.2	82.5	76.9	72.9	68.5	64.4	60.6	57.1	40.2	10.7	78.5	40.9
NPV of debt-to-GDP ratio after traditional debt relief	110.6	97.5	87.0	75.9	66.2	59.9	57.5	54.6	52.0	49.5	47.3	35.1	23.7	64.7	35.2
NPV of debt-to-GDP ratio after (unconditional) enhanced HIPC relief 5/	23.4	25.7	26.2	29.7	27.4	26.2	26.2	27.2	28.0	28.8	29.4	26.2	20.6	27.5	26.1
Grant element in total debt	36.3	37.4	40.5	43.5	45.8	47.2	47.1	46.9	46.6	46.2	45.7	43.8	43.1	44.7	43.9
Grant element in new debt	--	53.6	59.2	58.4	57.6	56.9	55.9	55.1	54.3	53.4	52.6	49.4	47.3	55.7	49.5
Alternative scenario - lower overall exports growth															
NPV of debt after traditional debt-relief mechanisms	701.0	727.5	701.2	666.8	635.8	626.1	651.2	677.6	703.5	731.3	761.6	866.8	900.1	688.3	857.9
<i>(in percent of exports of goods & non factor services) 2/</i>															
NPV of debt after traditional debt relief 3/	708.7	674.7	556.1	440.5	328.1	264.6	238.8	233.8	233.8	229.1	219.3	161.4	140.6	341.9	167.3
Debt service after traditional debt relief	25.7	55.3	71.3	63.7	41.9	27.9	14.7	13.7	13.3	11.7	10.4	10.5	11.4	32.4	10.5
NPV of debt after enhanced HIPC relief 4/	799.8	619.0	500.9	172.4	135.6	115.9	108.7	119.9	134.4	144.7	148.6	131.1	130.2	220.0	134.8
NPV of debt after unconditional delivery of enhanced HIPC relief 5/	150.0	178.0	167.4	172.4	135.6	115.9	108.7	119.9	134.4	144.7	148.6	131.1	130.2	142.5	134.8
Debt service after enhanced HIPC relief	--	52.5	16.5	18.1	10.6	9.3	8.8	5.9	6.4	5.6	7.6	6.9	8.8	14.1	7.1
<i>(in percent)</i>															
NPV of debt-to-revenue ratio 6/	966.6	794.7	684.8	573.1	474.7	407.1	370.2	351.8	333.6	316.7	301.4	219.0	145.8	460.8	220.6
NPV of debt-to-GDP ratio	110.6	97.5	87.0	75.9	63.6	61.9	59.9	57.8	55.6	53.5	51.7	40.2	28.5	66.8	40.2
Grant element in new debt	--	53.6	59.2	58.4	57.6	56.9	55.9	55.5	54.8	54.1	53.3	49.8	47.5	55.9	49.9
Alternative scenario - less concessional new borrowing															
NPV of debt after traditional debt-relief mechanisms	701.0	727.5	701.2	666.8	610.8	657.6	719.3	767.8	815.7	860.3	903.3	996.7	933.8	743.0	976.3
<i>(in percent of exports of goods & non factor services) 2/</i>															
NPV of debt after traditional debt relief 3/	708.7	674.7	556.1	440.5	315.3	277.9	263.8	258.3	252.3	239.4	224.8	139.8	83.9	350.3	143.7
Debt service after traditional debt relief	25.7	55.1	70.7	63.0	42.1	29.7	17.4	15.9	15.0	13.6	13.2	10.4	33.6	12.9	
NPV of debt after enhanced HIPC relief 4/	799.8	619.0	500.9	172.4	122.8	129.2	133.6	144.4	152.9	155.0	154.1	109.6	73.5	228.4	111.3
NPV of debt after unconditional delivery of enhanced HIPC relief 5/	150.0	178.0	167.4	172.4	122.8	129.2	133.6	144.4	152.9	155.0	154.1	109.6	73.5	151.0	111.3
Debt service after enhanced HIPC relief	--	52.3	15.9	17.4	10.8	11.1	11.5	8.1	8.1	7.6	10.5	9.6	7.8	15.3	9.5
<i>(in percent)</i>															
NPV of debt-to-revenue ratio 6/	966.6	794.7	684.8	573.1	447.7	413.9	392.3	378.9	364.4	347.9	330.7	222.7	127.8	472.8	224.9
NPV of debt-to-GDP ratio	110.6	97.5	87.0	75.9	63.6	62.9	63.5	62.2	60.7	58.8	56.7	40.8	25.0	68.9	40.9
Grant element in new debt	--	42.4	41.5	40.9	34.4	28.2	26.1	24.5	23.3	22.3	21.5	19.2	18.6	30.5	19.5

Sources: Sierra Leonean authorities; and staff estimates.

1/ All debt indicators refer to public and publicly guaranteed (PPG) debt and are defined after rescheduling, unless otherwise indicated.

2/ As defined in IMF Balance of Payments Manual, 5th edition, 1993. Based on a three-year average of exports on the previous year (e.g. export average over 1998-2000 for NPV of debt-to-exports ratio in 2000).

3/ Assumes a stock of debt operation on Naples terms in end-2000 with comparable treatment from non-Paris Club bilateral creditors.

4/ The NPV of debt for 2001 and 2002 shows only the effect of interim assistance. The resulting NPV is therefore higher than that for traditional debt relief, which assumes a stock-of-debt operation on Naples terms.

5/ Entire assistance assumed to be delivered unconditionally at end-December 2000.

6/ Revenues are defined as central government revenues, excluding grants.

Table 9. HIPC Initiative: Status of Country Cases Considered Under the Initiative, May 23, 2001

Country	Decision Point	Completion Point	Target NPV of Debt-to-Gov. Export revenue (in percent)		Assistance Levels 1/ (In millions of U.S. dollars, present value)				Percentage Reduction in NPV of Debt 2/	Estimated Total Nominal Debt Service Relief (In millions of U.S. dollars)
			Total	Bilateral	Multi-lateral	IMF	World Bank			
Completion point reached under enhanced framework										
Uganda					1,003	183	820	160	517	1,950
<i>original framework</i>	<i>Apr. 97</i>	<i>Apr. 98</i>	202	347	73	274	69	160	20	650
<i>enhanced framework</i>	<i>Feb. 00</i>	<i>May 00</i>	150	656	110	546	91	357	37	1,300
Decision point reached under enhanced framework										
Benin	Jul. 00	Floating	150	265	77	189	24	84	31	460
Bolivia				1,302	425	876	84	194		2,060
<i>original framework</i>	<i>Sep. 97</i>	<i>Sep. 98</i>	225	448	157	291	29	53	14	760
<i>enhanced framework</i>	<i>Feb. 00</i>	<i>Floating</i>	150	854	268	585	55	141	30	1,300
Burkina Faso				398	56	342	42	162		700
<i>original framework</i>	<i>Sep. 97</i>	<i>Jul. 00</i>	205	229	32	196	22	91	27	400
<i>enhanced framework</i>	<i>Jul. 00</i>	<i>Floating</i>	150	169	24	146	20	71	27	300
Cameroon	Oct. 00	Floating	150	1,260	874	324	37	179	27	2,000
Chad	May. 01	Floating	150	170	35	134	18	68	30	260
Gambia, The	Dec. 00	Floating	150	67	17	49	2	22	27	90
Guinea	Dec. 00	Floating	150	545	215	328	31	152	32	800
Guinea-Bissau	Dec. 00	Floating	150	416	212	204	12	93	85	790
Guyana				585	220	365	74	68		1,030
<i>original framework</i>	<i>Dec. 97</i>	<i>May 99</i>	107	256	91	165	35	27	24	440
<i>enhanced framework</i>	<i>Nov. 00</i>	<i>Floating</i>	150	329	129	200	40	41	40	590
Honduras	Jun. 00	Floating	110	250	556	215	340	30	98	18
Madagascar	Dec. 00	Floating	150	814	457	357	22	252	40	1,500
Malawi	Dec. 00	Floating	150	643	163	480	30	331	44	1,000
Mali				523	162	361	58	182		870
<i>original framework</i>	<i>Sep. 98</i>	<i>Sep. 00</i>	200	121	37	84	14	44	9	220
<i>enhanced framework</i>	<i>Sep. 00</i>	<i>Floating</i>	150	401	124	277	44	138	28	650
Mauritania	Feb. 00	Floating	137	250	622	261	361	47	100	50
Mozambique				1,970	1,235	736	140	434		4,300
<i>original framework</i>	<i>Apr. 98</i>	<i>Jun. 99</i>	200	1,716	1,076	641	125	381	63	3,700
<i>enhanced framework</i>	<i>Apr. 00</i>	<i>Floating</i>	150	254	159	95	16	53	9	600
Nicaragua	Dec. 00	Floating	150	3,267	2,145	1,123	82	189	72	4,500
Niger	Dec. 00	Floating	150	521	211	309	28	170	54	900
Rwanda	Dec. 00	Floating	150	452	56	397	44	228	71	800
Sao Tome & Principe	Dec. 00	Floating	150	97	29	68	-	24	83	200
Senegal	Jun. 00	Floating	133	250	488	193	259	45	124	19
Tanzania	Apr. 00	Floating	150	2,026	1,006	1,020	120	695	54	3,000
Zambia	Dec. 00	Floating	150	2,499	1,168	1,331	602	493	63	3,820
Decision point reached under original framework										
Côte d'Ivoire	Mar. 98	Mar. 01	141	280	345	163	182	23	91	6 3/ 800
Total assistance provided/committed					20,833	9,779	10,955	1,755 4/	4,951	34,680
Preliminary HIPC document issued 5/										
Ethiopia	fall 01	...	150	1,028	352	649	37	395	42	1,650

Sources: IMF and World Bank Board decisions, completion point documents, decision point documents, preliminary HIPC documents, and staff calculations.

1/ Assistance levels are at countries' respective decision or completion points, as applicable.

2/ In percent of the net present value of debt at the decision or completion point (as applicable), after the full use of traditional debt-relief mechanisms.

3/ Nonreschedulable debt to non-Paris Club official bilateral creditors and the London Club, which was already subject to a highly concessional restructuring, is excluded from the NPV of debt at the completion point in the calculation of this ratio.

4/ Equivalent to SDR 1,386 million at an SDR/USD exchange rate of 0.7900.

5/ Figures are based on preliminary assessments at the time of the issuance of the preliminary HIPC document; and are subject to change.

Table 10. Sierra Leone: Recent Debt Service History, 1997-2000
(in millions of US dollars, unless otherwise indicated)

	1997	1998	1999	2000
Debt service due (commitment basis) 1/	34.5	45.2	53.9	52.7
Principal	24.7	30.3	37.3	38.6
Interest	9.8	14.9	16.6	14.1
Debt service paid (cash basis) 1/	11.2	8.9	36.5 2/	32.2 2/
Principal	4.6	2.7	28.8	26.4
Interest	6.6	6.2	7.7	5.8
Debt service due less debt service paid	23.2	36.3	17.4	20.5
Memorandum items:				
Debt service due				
as a percentage of exports of goods and services	30.7	47.8	58.4	47.9
as a percentage of government revenues	74.6	91.6	114.2	72.7
Debt service paid				
as a percentage of exports of goods and services	10.0	9.4	39.6	29.3
as a percentage of government revenues	24.3	18.0	77.4	44.4
as a percentage of social expenditures 3/	... 4/	29.9	130.0	102.2

Sources: Sierra Leonean authorities; and staff estimates.

1/ Before rescheduling.

2/ The surge in debt service payments in 1999 and 2000 includes payments to the IMF of \$15.3 million and \$27.6 million in 1999 and 2000, respectively.

3/ Comprises recurrent expenditures in health, education and local government.

4/ Data gaps in 1997 are due to heightened civil conflict and loss of government records.

- **Annex 1: Main Assumptions for the Debt Sustainability Analysis (DSA)**

The following macroeconomic assumptions are used for the 20-year baseline DSA Projection:

- Assuming a peaceful environment and government control of all national territory, real GDP growth is assumed to be 6.0 percent on average in the period 2001–20.
- The terms of trade, after an average decline of 3.3 percent in 2000, is projected to remain stable through the period, after a modest increase in 2001.
- Export volume is projected to increase by 11 percent per annum, spurred by rapid recovery of rutile exports from 2003, and bauxite and official diamonds afterwards. To a lesser extent, exports of coffee and cocoa are expected to recover steadily after 2004.
- Import volume is projected to surge in 2001 and 2002 as the pace of infrastructure reconstruction and rehabilitation intensifies. Thereafter, import volume is expected to grow at about 6 percent in line with real GDP growth.
- Gross domestic investment as a percent of GDP would increase from 8 percent in 2000 to about 20 percent by 2008 and 23 percent by 2020. Government investment is projected to increase sharply between 2001 and 2003 as the pace of infrastructure reconstruction intensifies. Thereafter, public investment is expected to level off with foreign financed public investment at 6 percent of GDP. The externally financed public investment program would be funded 47 percent by grants, and for the remainder by concessional loans, most of which on IDA terms.
- Foreign direct investment is projected to increase from less than 1 percent of GDP in 2000 to about 4 percent in 2008. Direct investment in rutile mining of over US\$100 million is expected between 2001 and 2003.
- Official budgetary grants and balance of payments support loans are expected to remain at about US\$50 million per year between 2000 and 2004 during the economic reconstruction phase; thereafter declining to US\$15 million by 2020.
- The external current account deficit, excluding grants, is projected to increase from 18 percent of GDP in 2000 to 33 percent in 2002 as investment imports surge and exports recover slowly. Thereafter, the external current account deficit is expected to decline steadily to 1.0 percent of GDP by 2020.
- Gross international reserves would increase gradually to the equivalent of 10 weeks of imports by 2005, and about 20 weeks by end 2020.