

**Sierra Leone: Resident Representative’s Report on
Seminar for Mayors/Chairmen of City/District Councils in Kenema
February 28-March 2, 2013**

The IMF Resident Representative Office in Sierra Leone held a seminar for newly elected mayors/chairmen of city/district councils on the Role of the IMF in Sierra Leone. A brochure summarizing the Fund’s activities in Sierra Leone was launched; it describes the role of the Fund in Sierra Leone and outlines recent economic development as well as the medium-term outlook and policy challenges. The seminar helped clarify misunderstandings on the role of the Fund in developing countries and outlined the responsibilities of the government in championing reforms to improve efficiency in public service delivery and to secure value for taxpayer money. The participants appreciated the opportunity to learn more about the Fund and requested making the seminar an annual event with finance ministry and central bank participation.

A. Introduction

1. The IMF Resident Representative Office organized a seminar for City Council Mayors and District Council Chairmen 2013 (most of whom have just been elected into office) in Kenema, Eastern Sierra Leone during February 28—March 1, to consolidate experiences gained from earlier visits to various cities/towns and district councils. The Seminar was chaired by the Deputy Mayor of Kenema City and attended by almost all the nineteen mayors and chairmen. The seminar events included a familiarization dinner on the arrival night, which was followed on the second day by (i) a presentation on recent economic developments and policy challenges in Sierra Leone, (ii) a discussion of socio-economic challenges facing various cities and district councils, and (iii) launching of the first brochure on Sierra Leone and the IMF (see [Sierra Leone Agenda for Kenema Outreach Seminar](#)).

B. Day One: Familiarization Dinner

2. The dinner provided the opportunity for bi-partisan interaction and set the momentum for the main seminar. Opening the dinner, the IMF Resident Representative, Francis Y. Kumah congratulated the newly elected mayors and chairmen and outlined his experiences from visits to the districts. This was followed by brief self-introduction of Mayors/Chairmen, including information sharing on their experiences prior to joining local government administration.



Francis Y. Kumah, IMF RR, welcoming Mayors and Chairmen.

3. At the dinner, Mayors and Chairmen from the two main political parties—the Ruling All Peoples Congress and Opposition Sierra Leone Peoples Party—crossed partisan borders and interacted with each other warmly, focusing on ideas to solve the socioeconomic challenges facing their various localities. The Mayor of Makeni City stated that *“I decided to vie for this position because I was always itchy about the socioeconomic challenges facing especially women in my municipality and I had to sacrifice my previous career for the sake of tackling these challenges head on”*. She further went on



Sunkarie Kabba Kamara, Mayor of Makeni City, making a statement.

to state that she was very much pleased with the objective of the seminar and thanked the resident representative's office for organizing it at an appropriate time. The Chairman of Moyamba District Council, Professor Bob Kandeh—a former Statistician General—stated that *“I came to the grassroots because I was tired of making recommendations that never got implemented, to implement at the grass root instead of continuing to recommend to politicians.”*

C. Day Two: The Seminar

4. The events of day two of the seminar included presentation on recent economic developments and policy challenges (see [Sierra Leone Recent Economic Developments and Prospects](#)), launching of the brochure on Sierra Leone and IMF (see [Sierra Leone Brochure on Role of IMF in Sierra Leone](#)), and discussion on the socioeconomic prospects and challenges facing various cities and districts councils.¹

Recent Economic Developments and Medium-Term Policy Challenges

5. The presentation on recent economic development and policy challenges highlighted the reasons for expansion in real GDP, decline in inflation, improvements in monetary policy stance and the external current account balance. It also noted the challenges in implementing fiscal policy in 2012, which yielded overspending financed through accumulation of unpaid bills. The Resident Representative highlighting the risks to the medium-term outlook.

6. The participants asked salient questions and made valuable contributions. The questions include the following: a) why is there a disconnect between IMF technical assistance and domestic policies; b) why is it that the decline in inflation is not yielding much impact on the livelihood of the populace who are still finding it difficult to earn a living; and c) why is there not much focus on the non-iron ore minerals such as rutile, gold, diamond and bauxite. Participants saw the need for better public financial management, following the excess spending in 2012 while the revenue target was exceeded. It was agreed that enactment of the Extractive Industries Revenue (Imposition) Bill would go a long way to help government to mobilize more revenue from the extractive industries.



Sam Franklyn Bababode Gibson, Mayor of Freetown City, making a statement.

7. The Mayor of Freetown municipality suggested that a follow-up seminar of this kind should be organized, with participants to be drawn from the Bank of Sierra Leone, Ministry of Finance and Economic Development, Ministry of Mines and Mineral Resources and Ministry of Agriculture, Forestry and Food Security. His idea was seconded by many other participants.

¹ The IMF Resident Representative, Francis Y. Kumah, presented a summary of recent economic developments and medium-term policy challenges, while the local economist, Mathew Sandy, launched the brochure on Sierra Leone and the IMF.

Brochure on Sierra Leone and the IMF

8. The first edition of the brochure on Sierra Leone and the IMF outlines the role of IMF in Sierra Leone and presents recent economic developments and key economic management challenges facing Sierra Leone. The information in the brochure helped to clarify inaccurate perceptions about the role of IMF. The Chairman of Bonthe District Council stated that *“I feel relieved today than ever before, because my previous thoughts about the IMF was that they are associated with conditionalities and hardship on the people but my views have changed by the information provided at this seminar.”*

Socioeconomic Challenges Facing Various Cities and District Councils

9. Presentations were made by the Mayors and Chairmen of each of the 19 councils on the socioeconomic prospects and challenges facing their localities. Economic prospects seem broadly similar across many localities; the prospects lie mainly in mining, agriculture, forestry and fishing activities. They have common challenges as well, including infrastructure gaps (low access to electricity/energy and non-motorable feeder roads) and social service challenges (limited access to health services, water and sanitation; low level of private sector development because of lack of access to credit; and youth unemployment). Participants noted the following specific challenges:



Group Photo of seminar participants.

- **Infrastructure gaps are huge:** almost all councils complained about poor road network, especially feeder roads leading to economically viable agricultural and mining communities; inadequate energy supply—though improving in Freetown, still remains to be a big challenge—, especially in the districts where only three (Bo, Makeni and Kenema) out of twelve districts have some, albeit meager, supply of electricity.
- **Social service delivery in health and education is weak:** hospitals are not well equipped and have insufficient numbers of medical doctors and nurses. Schools are over crowded and qualified teachers are scarce. As a result, health problems are rampant, there is early/teenage pregnancy and the school drop-out rate is high. Above all, there are no safety net programs for the vulnerable.
- **Access to water and sanitation remains low:** access to pipe-born water is limited, with only Freetown—and recently some parts of Port Loko and Kenema—having access to pipe-born water. Waste management is a big challenge, especially in the capital city, Freetown.
- **Private sector development is low:** access to credit is very low in the districts and SME development is a challenge due to low skills in business management in their communities.

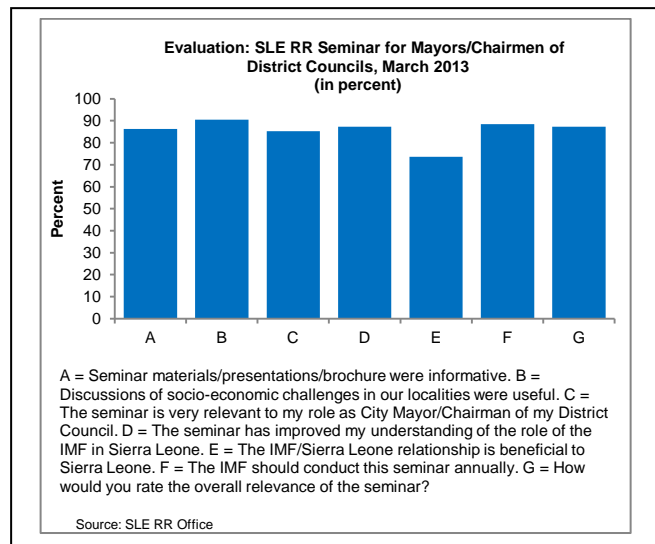
- **Unemployment remains a challenge:** mainly on account of lack of employable skills and subsequent high level of contracting of expatriates by mining companies, youth unemployment remains palpable.

10. Drawing from the messages of the 2013 Res Rep workshop in Dakar, the Resident Representative noted that the challenges facing local councils in Sierra Leone are similar among African countries. He grouped the challenges as follows: a) infrastructure gaps, b) social sector issues, c) access to water and sanitation, d) low private sector development, and e) unemployment. He also gave succinct clarifications in response to the questions and comments from Mayors and Chairmen.

D. Key Messages

11. The seminar helped explain the role of IMF to local/community leaders, most of whom are newly elected to such positions. Some of the participating mayors and chairmen never really understood the role of the IMF globally and, particularly, in Sierra Leone. The closest most of them came to understanding the role of the IMF was through stories on IMF conditionalities, which were grossly misunderstood. The seminar helped clarify these misunderstandings and outlined the responsibilities of the government in championing reforms to improve efficiency in public service delivery and to secure value for taxpayer money.

12. The Mayors/Chairmen realized that the challenges facing their localities are similar and literally dropped party politics to chart the way forward in the search for sustainable development and resolution of their common socioeconomic challenges. About 85 percent of participants rated the seminar as very relevant (see Figure). At the same time, 74 percent of participants concluded that the IMF/Sierra Leone relationship was beneficial to Sierra Leone, and 88 percent requested that the event be hosted annually, and should include participants from the Finance Ministry, the central bank, and the Ministry of Mines and Mineral Resources as well as the Ministry of Agriculture and Food Security.



13. Presenting the vote of thanks, the Mayor of Makeni city congratulated the IMF Res Rep Office for organizing the seminar which provided very useful information on recent economic developments, clarified the role of IMF in Sierra Leone, and offered a platform for frank discussions of socioeconomic prospects and challenges facing their localities. She concluded that the seminar helped them (Mayors/Chairmen of City/District Councils) to be fully aware of the role of the IMF globally, and in Sierra Leone in particular, and looked forward to future engagements.

IMF Resident Representative Office
Freetown, Sierra Leone
March 5, 2013

For more information

Visit our website:

www.imf.org or
<http://www.imf.org/external/country/sle/rr/index.htm>

You could also visit the local office at:

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International Monetary Fund

Resident Representative Office.
Freetown, Sierra Leone

February 2013

Sierra Leone and the International Monetary Fund (IMF)



**History of Engagement
—Economic Policy Advice,
Technical Assistance, Balance of
Payments Financing, and Catalytic
Role for Budget Support**

**February 2013
Freetown**

Sierra Leone and the International Monetary Fund

A. Role of IMF

1. The IMF provides support to its 187-member countries in the form of economic policy advice, technical assistance (or capacity building), and highly concessional balance of payments financing (with a zero-percent interest rate for low-income countries). It also plays a catalytic role in mobilizing donor financing for member countries.

B. IMF Support to Sierra Leone

2. Sierra Leone joined the IMF in September 1962 (under Article VIII of the IMF's agreement) and has since benefited from economic policy advice, technical assistance (to the Ministry of Finance and Economic Development, Bank of Sierra Leone, Statistics Sierra Leone, and the National Revenue Authority). In addition, Sierra Leone has benefited from balance of payments support and debt relief (see paragraph 9), and the Fund's catalytic role in donor budget support. The history of IMF engagement with Sierra Leone during four periods is summarized as follows.

I. Independence and pre-conflict period engagement

3. Sierra Leone enjoyed economic stability for almost two decades after it became a member of the IMF. However, significant economic slippages in the 1980s dented economic growth, generated triple-digit inflation, and the state accumulated payment arrears, including to the IMF.

4. The first IMF program—Rights Accumulation Program (RAP) approved in 1989—sought to reduce poverty by boosting economic growth, enhancing the provision and access to basic social services. Good progress was made under the RAP, prior to the civil conflict.

II. Conflict-period engagement

5. Progress under the RAP was interrupted by the decade-long civil conflict (1991-2001). Sierra Leone, nonetheless, benefited from three successive IMF programs. These are:

- Structural Adjustment Facility (SAF)—1994-95,
- Enhanced SAF—1995-98, and
- Emergency Post-Conflict Assistance (EPCA)—1998-2001.

III. Post-conflict period engagement

6. The Executive Board of the IMF approved a program supported under the Poverty Reduction and Growth Facility (PRGF) arrangement for the period 2001-05. The PRGF focused

on poverty reduction by strengthening ownership of policies and economic development priorities derived directly from member country Poverty Reduction Strategy Papers (PRSP). Progress under the first PRGF helped Sierra Leone to qualify for the Highly Indebted Poor Countries (HIPC) decision point in March 2004.

7. A second PRGF-supported program was approved in May 2006 for 2006-10. Progress on this further helped Sierra Leone to reach the HIPC completion point and qualify for debt relief under both the HIPC and Multilateral Debt Relief Initiative (MDRI)—providing some US\$1.6 billion debt cancellation in December 2006 and helping to accelerate pro-poor and infrastructure spending.

IV. Current engagement

8. The current IMF program, supported under the Extended Credit Facility (ECF), was approved in July 2010 for 2010-13. Four reviews of performance under the program have been successfully completed by the IMF Executive Board. So far, five disbursements of SDR4.4 million (US\$6.7 million) each have been made—one upon program approval and four following successful reviews.

9. The new ECF-supported program is based on Sierra Leone's PRSP—the Agenda for Change. It aims at: 1) creating fiscal space for priority pro-poor and infrastructure spending; 2) strengthening tax performance and improving public financial management; 3) developing the financial sector and strengthening the independence and supervisory role of Bank of Sierra Leone; and 4) developing the private sector by improving the business environment and enhancing access to credit.

Table. Sierra Leone: History of Engagement with the Fund 1994-12

Facility	Date of Arrangement	Date of Expiration or Cancellation	Amount Agreed	Amount Drawn	Percent drawn
(In millions of SDR)					
SAF	28-Mar-94	27-Mar-95	27.0	27.0	100
ESAF	28-Mar-94	4-May-98	101.9	96.8	95
EPCA 1	9-Nov-98	9-Nov-99	11.6	11.6	100
EPCA 2	17-Dec-99	17-Dec-00	15.6	15.6	100
EPCA 3	8-Sep-00	8-Sep-01	10.4	10.4	100
PRGF 1	26-Sep-01	25-Jun-06	130.8	130.8	100
PRGF 2	10-May-06	22-Jun-10	51.9	51.9	100
ECF	1-Jul-10	30-Jun-13	31.1	22.2	71
Total			380.3	366.3	96

D. Recent economic developments and policy challenges

10. Economic activities have been robust but job creation has been inadequate. Real Gross Domestic Product growth expanded by 6.0

percent in 2011 and is projected to reach 21.3 percent in 2012 (supported by expansion in the mining sector, agriculture, manufacturing and construction)—a remarkable recovery from 3.2 percent in 2009 in the aftermath of the global food, fuel and financial crisis in 2008. Our projected increase in real GDP growth in 2012 is mainly on account of commencement of iron ore mining by African Minerals and London Mining in 2011-12. Revenues from introduction of Goods and Services Tax (GST) in 2010 boosted domestic revenue by 2.9 percent of GDP in 2012 but high expenditures on implementation of the Agenda for Change programs widened the fiscal deficit to 3.1 percent of GDP in 2012 against a program target of 1.9 percent of GDP. Inflation declined to 12.0 percent at end-December 2012 from 16.9 percent in 2011. It is projected to decline further to single digit—9.0 percent in 2013. Monetary policy remained tight in 2012, following fiscal expansion and excess credit from banks that fueled inflation and interest rate hikes in 2010-11. The external current account deficit is projected to improve significantly in 2013—from a deficit 52.9 percent of GDP in 2011 to 12.2 percent of GDP in 2013—and external debt remains sustainable (at 37.6 percent of GDP in 2012).

11. Achieving inclusive growth has been challenging. As mining activities expand, there is the challenge of escaping the resource curse. These challenges could be surmounted through a) effective management of the natural resources; b) good external trade relations and policy; c) better expenditure prioritization and debt management; d) monetary policy and financial sector vigilance; and e) strengthening of public sector institutions and rule of law—would help to sustain economic growth that creates jobs and makes inroads into poverty.

C. Key economic management issues

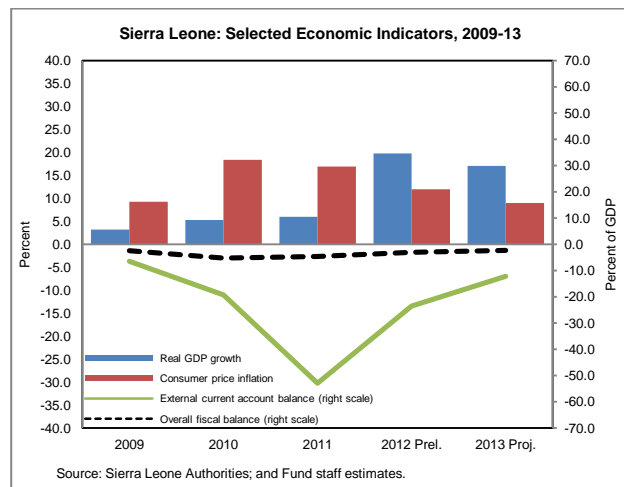
12. Over the medium term, economic management will be shaped by six key policy issues: 1) Revenue mobilization—particularly from the extractive industries; 2) Public investment in infrastructure and human development (health, education, social services and social safety programs); 3) Public sector pay reform; 4) Debt management; 5) Private sector development and Public Private Partnership; and 6) Financial sector stability. The IMF will continue to support Sierra Leone's economic management through, among other things, a) traditional technical assistance channels and balance of payments support; b) design of effective fiscal terms, tax administration practices, and public financial management systems, particularly in the wake of commencement of two massive iron ore projects and potential oil find; and c) economic policy advice to sustain macroeconomic stability and support inclusive growth.

Sierra Leone: Recent Economic Developments, Prospects and Risks²

February 25, 2013

The economy is estimated to have expanded significantly in 2012 and the medium-term outlook remains favorable, albeit with risks. Notwithstanding the challenges of budget execution in 2012, consumer price inflation declined to 12 percent (year-on-year) by year-end. The fiscal challenges emanated mainly from higher-than-budgeted spending on infrastructure and the November elections, as disbursements of external budgetary support came in as programmed and domestic revenue mobilization exceeded target. The monetary policy stance was tighter in 2012 relative to 2011, although not without challenges in aggregate liquidity management. While the overall current account deficit is expected to improve further in 2013, following a good recovery in 2012, the outlook is subject to downside risks that could as well affect economic growth, inflation, and fiscal performance.

1. **The economy is estimated to have expanded significantly in 2012 and the medium-term outlook remains favorable.** From a growth of 6 percent in 2011, real GDP growth is estimated to have reached 20 percent in 2012. It is expected to nudge 17 percent in 2013 and assume an appreciable good trajectory in the following three years, mainly on account of iron ore production. Non-iron ore real GDP growth is projected at 6.3 percent and 6.0 percent in 2012 and 2013, respectively, supported by agricultural production, non-iron ore mining and related services as well as construction services.



2. **Consumer price inflation declined to 12 percent (year-on-year) in December 2012**, from 16.9 percent at end-2011. Non-food inflation slackened to single digit (9.5 percent) at end-December 2012 but food inflation remained high at 14.2 percent. The

former is supported by recent tightening of the monetary policy stance that had in turn contributed to stability of the exchange rate. The domestic currency appreciated by around 1 percent against the US dollar during 2012. Reflecting these developments, and on account of needed further tightening of liquidity management coupled with likely strengthening of the Leone, the IMF foresees a decline in inflation to single digit—9 percent by end-2013.

3. **Fiscal performance improved in the first half of 2012 but was challenged towards the end of the year.** This was unanticipated owing to the disbursement of almost all external budgetary support (from DfID, EU, AfDB, World Bank and other donors) and over performance in domestic revenue collections. Higher-than-anticipated spending commitments, particularly on infrastructure projects and elections-related current spending, pushed the fiscal deficit to 4.9 percent of non-iron ore GDP (compared to a budgeted 1.9 percent). Going forward, the Sierra Leone authorities envisage significant fiscal consolidation in 2013 and, perhaps, beyond. The challenges to budget execution in 2012 have highlighted the need to temper the pace of

² Prepared by **IMF Resident Representative Office**, c/o BSL, 2nd. Floor Sam Bangura Building, Freetown, Sierra Leone.

infrastructure spending while synchronizing spending with revenue mobilization. At the same time, public financial management would need to be stepped up along with debt management to ensure efficient and effective budget execution. The authorities have recognized these challenges and are confident to contain government borrowing, particularly from the domestic securities market, to ensure that overall public debt remains sustainable. For now, the external debt position remains comfortable, with the debt-to-GDP ratio at 37.6 percent at end-2012—and it is projected to remain sustainable into the medium term. Nonetheless, fiscal and monetary policy coordination partly through the recently established Cash Management Committee should help actualize expected fiscal consolidation and strengthen the debt position.

4. The financial sector remains resilient and the monetary policy stance has helped contain inflation.

Notwithstanding recent strides in improving private sector access to credit—helped for example by the establishment of the commercial courts system and reference bureau—much more needs to be done (in both legislation and regulation) to further expand credit to support private sector growth. At the same time, the central bank would continue to effectively use its open market operations and other instruments of monetary policy to ensure adequate economy-wide liquidity while containing price pressures. The new policy instrument—the monetary policy rate—implemented in 2012 would need to be complemented by necessary monetary operations in order to effectively signal to money market participants the needed monetary policy stance. At its latest meeting in February, the monetary policy committee of the BSL maintained the monetary policy rate at 20 percent, with the reverse repo and standing facilities priced at spreads of 200-800 basis points from the policy rate.

5. Following deterioration to 52 percent of GDP in 2011 on account of import of machinery for iron ore projects, the external current account deficit improved to 23.5 percent in 2012. The improvement was driven mainly by iron ore exports. Barring unfavorable external shocks, the external accounts are expected to continue on this stronger trajectory into the medium term. Gross international reserves reached \$420 million (equivalent to 2.7 months of import of non-iron ore related goods and services) and are poised to strengthen further, supported by improving trade balance, further inflows, and supportive monetary management. Nonetheless, with the domestic currency strengthening against major international currencies, the external current account is likely to face competitiveness challenges, which would need to be dampened through effective natural resource management in an efficient policy environment.

6. Progress has been made in implementing structural reforms to engender efficiency in public service delivery. Strengthening procurement procedures and financial management in public institutions would help consolidate the fledgling gains so far chalked. At the same time, delays in re-tooling the legal infrastructure for operators in the natural resource sector should be speedily addressed to ensure efficient revenue collection, while government is adequately re-phased (in the context of the new public investment program, for example) to underpin macroeconomic stability and value for money.

7. Downside risks to the outlook could adversely affect economic growth, inflation, and fiscal performance. As noted above, weak performance of the export sector in the context of weakening global demand and commodity prices could widen the trade deficit, shave off government revenues, and dampen economic growth. At the same time, global food and petroleum price increases—which should be allowed to pass through to domestic prices while implementing measures to dampen impact on vulnerable groups—could raise domestic consumer prices.



**IMF Resident Representative Outreach
Seminar for Newly Elected District Chairmen/Mayors of Local Council
Kenema, Eastern Sierra Leone
February 28-March 1, 2013**

Program of events

Day One, February 28, 2013: Arrival and Familiarization Dinner

- 1) Arrival of IMF Team, guests and participants.....5:00pm-6:00pm
- 2) Check-in hotel and register for seminar.....6:00pm-7:00pm
- 3) Familiarization dinner
 - a. Opening prayers.....7:30pm-7:35pm
 - b. Introduction of IMF Resident Representative &
Objective of seminar.....7:35pm-7:40pm
 - c. Introduction of newly elected Chairmen and Mayors.....7:40pm-7:45pm
 - d. Welcome Address by IMF Resident Representative.....7:45pm-7:55pm
 - e. Statement by Chairmen/Mayors of Local Councils.....7:55pm-8:10pm
 - f. Dinner and interaction.....8:10pm-9:10pm
 - g. Announcements9:10pm-9:15pm
 - h. Vote of thanks9:15pm-9:20pm

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IMF Resident Representative Outreach
Seminar for Newly Elected District Chairmen/Mayors of Local Council
Kenema, Eastern Sierra Leone
February 28-March 1, 2013

Program of events

**Day Two, March 1, 2013: Recent Economic Developments and the Role of IMF in Sierra Leone
in the Global Context**

- 1) Opening prayers (Christian and Muslim).....10:00am-10:05am
- 2) Introduction of Chairman.....10:05am-10:10am
- 3) Opening statement by Chairman (Host City Mayor).....10:10am-10:15am
- 4) Recent Economic Developments and Role of IMF in Sierra Leone by IMF Resident Representative10:15am-11:15am
- 5) Discussions, Questions and Answers.....11:15am-12:00noon
- 6) **LUNCH**.....12:00noon-1:30pm
- 7) Launching of the Sierra Leone and IMF Brochure.....1:30pm-1:40pm
- 8) Discussion on the socioeconomic prospects and challenges in Cities and District—by Designated Mayors/Chairmen.....1:40pm-2:30pm
- 9) Discussions, Questions and Answers.....2:30pm-3:00pm
- 10) IMF Resident Representative’s closing remarks.....3:00pm-3:05pm
- 11) Chairman’s concluding remarks3:05pm-3:10pm
- 12) Vote of thanks.....3:10pm-3:15pm
- 13) Evaluation Form.....3:15pm-3:45pm
- 14) Group photo.....3:45pm-4:00pm
- 15) AOB—administrative arrangement.....4:00pm-4:15pm
- 16) CLOSING.....4:30pm

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Website: <http://www.imf.org/external/country/sle/rr/index.htm>