

Sierra Leone: Ex Post Assessment of Longer-Term Program Engagement

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**International Monetary Fund
Washington, D.C.**

INTERNATIONAL MONETARY FUND

SIERRA LEONE

Ex Post Assessment of Longer-Term Program Engagement

Prepared by a staff team from the African, Fiscal Affairs, Monetary and Financial Systems, and Policy Development and Review Departments¹

Authorized for circulation by Siddharth Tiwari and Carlo Cottarelli

May 9, 2005

| Contents | Page |
|--|------|
| I. Background | 3 |
| II. Assessment of Fund Involvement | 7 |
| A. Program Objectives in Sierra Leone, 1994–2004..... | 7 |
| B. Program Performance Relative to Objectives..... | 8 |
| Macroeconomic objectives..... | 9 |
| Structural reform objectives | 14 |
| C. Appropriateness of Program Objectives and Program Design..... | 17 |
| D. Compliance with Program Conditionality..... | 20 |
| E. Policy Implementation Lessons | 21 |
| F. Was the Rationale for Fund Involvement Sufficient?..... | 22 |
| G. Cooperation with the World Bank and Other Donors..... | 22 |
| III. Medium-Term Development Goals and Strategy for Future Fund Involvement | 23 |
| A. Medium-Term Development Goals..... | 23 |
| B. Strategy for Future Fund Involvement | 24 |
| Boxes | |
| 1. Chronology of the Civil Conflict | 4 |
| 2. Evolution of Key Economic Indicators During 1991–2004 | 5 |
| 3. Socioeconomic Impact of the Conflict | 6 |
| 4. Implications of the Conflict for the Fiscal Sector..... | 15 |
| 5. A Comparison of External Sector Targets in PRGF Programs Following Emergency Post-Conflict Assistance (EPCA) During 1994–2004..... | 18 |

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Figures

| | |
|--|----|
| 1. Real GDP Growth, 1990–2004 | 9 |
| 2. CPI Inflation, 1990–2004..... | 10 |
| 3. Central Government Tax Revenues and Expenditures, 1990–2004 | 10 |
| 4. Public Sector Deficit, 1990–2004 | 10 |
| 5. Fiscal Impact of Conflict, 1990–2004 | 11 |
| 6. External Current Account Deficit, 1990–2004 | 12 |
| 7. International Reserves, 1990–2004..... | 12 |
| 8. External Public Debt, 1990–2004 | 12 |
| 9. Exports of Minerals, Cocoa, and Coffee, 1990–2004..... | 13 |
| 10. Exports and Imports, 1990–2004..... | 13 |
| 11. Governance Indicators, 2002 | 16 |

Tables

| | |
|---|----|
| 1. Selected Social and Demographic Indicators | 27 |
| 2. History of Lending Arrangements Since 1994 | 28 |
| 3. Performance Under the Fund-Supported Programs—SAF/ESAF, Emergency Post- Conflict Assistance, and PRGF Programs | 29 |
| 4. Compliance with Quantitative Program Targets under the SAF/ESAF Arrangements, Emergency Post-Conflict Assistance, and PRGF Arrangements | 31 |
| 5. Growth in the Region and in Other Post-Conflict Countries, 1984–2004..... | 34 |
| 6. Program Conditions Versus Other Similar Arrangements..... | 35 |

Appendix

| | |
|---|----|
| Structural Reforms: Program Performance Relative to Objectives | 36 |
| Table 1. Compliance with Structural Program Conditions Under the ESAF, EPCA, and PRGF Arrangements | 39 |

I. BACKGROUND

1. **Sierra Leone has a rich resource base but it remains a poor country.** It has substantial mineral endowments, including diamonds and rutile, and a diversified agricultural sector that includes coffee and cocoa as key export crops. However, among the 177 countries in the United Nations' 2004 human development index Sierra Leone is ranked last; three-quarters of the population lives on less than US\$1 per day; and per capita income is less than a quarter of the average in the rest of sub-Saharan Africa.² Life expectancy is short and mortality rates are high in Sierra Leone compared with the average for Africa (Table 1). Economic development has been stunted by a combination of civil conflict during 1991–2001 and economic mismanagement during previous decades.

2. **After economic policies during the 1970s and 1980s had weakened the foundations for development, the government initiated a corrective program in late 1989.** As a result of political interference, corruption, and eroding real salaries, public institutions and services deteriorated sharply during the 1970s and 1980s. Economic mismanagement was accompanied by weak social outcomes, including endemic poverty. By the mid-1980s, pervasive government intervention had undermined the structure of incentives, and expansionary macroeconomic policies had contributed to triple-digit inflation and substantial balance of payments deficits that led to an accumulation of external arrears, including arrears vis-à-vis the Fund. An economic program was initiated in 1989, and gained momentum in 1992 as a Fund-monitored rights accumulation program, that sought to reduce poverty by strengthening economic growth, basic social services, and economic efficiency.

3. **Economic stabilization and structural reforms moved ahead under the rights program, but progress was interrupted by civil conflict (Box 1).** A violent rebellion by the Revolutionary United Front broke out in 1991 that damaged the economic infrastructure, hurt business confidence, and strained the government budget. After the violence escalated in 1994, efforts were made to restore the peace in 1995 and peace accords were signed in 1996 and 1999 but all proved fruitless. Intermittent periods of stability, during which economic initiatives were attempted on the assumption that peace had been restored, turned out to be short lived. Although its course was impossible to predict at the outset, the rebellion was to mark the beginning of a decade-long civil conflict that caused significant economic disruption and humanitarian tragedy before it ended in 2001 (Boxes 2 and 3).

² See United Nations, 2004, *Human Development Report*, July, and *Sierra Leone—Selected Issues*, Country Report No. 04/420. In 2003, per capita GDP in Sierra Leone was US\$135 compared with US\$590 in sub-Saharan Africa excluding Nigeria and South Africa.

Box 1. Sierra Leone: Chronology of the Civil Conflict¹

Post-independence instability, 1961–91

- April 1961: Sierra Leone gains independence from Britain.
- 1967: Military coup overthrows Premier Siaka Stevens' government; Stevens later returns to power as head of a civilian government following another military coup.
- 1971: Sierra Leone declared a republic, Stevens becomes executive president.
- 1985: Stevens retires and former army general Joseph Saidu Momoh becomes president.
- 1987: President Momoh declares state of economic emergency.

Civil war and coups, 1991–2001

- March 1991: Start of civil war in Sierra Leone. It begins as an insurgency by a small group of radical youths and diamond diggers who call themselves the Revolutionary United Front (RUF).
- 1992: President Momoh ousted in military coup led by Captain Valentine Strasser. The public initially welcomes the new military regime, the National Provisional Ruling Council (NPRC). But order soon collapses in the diamond districts and Strasser loses ground to the RUF.
- 1995: RUF rebels widen their attacks to almost the whole country, including Freetown.
- 1996: In January, Strasser ousted in military coup led by his deputy, Julius Maada Bio, who bows to national and international pressure for elections. In February, Ahmad Tejan Kabbah, a former civil servant and UN technocrat, is elected as president of a coalition government led by the Sierra Leone People's Party (SLPP). In November, Kabbah signs peace accord with RUF in Abidjan.
- 1997: The most violent period in Sierra Leone's history begins. Abidjan peace deal unravels. President Kabbah overthrown in May by coalition of army officers led by Major-General Paul Koroma who is installed as head of a ruling Armed Forces Revolutionary Council (AFRC) military junta that shares power with the RUF. Kabbah flees to Guinea to mobilize international support. The Commonwealth suspends Sierra Leone in July. The UN Security Council imposes sanctions in October.
- 1998: Fearing that the peace timetable is slipping, a Nigerian-led military intervention force, the Economic Community of West African States Ceasefire Monitoring Group (ECOMOG), invades Freetown in February and drives out rebels. ECOMOG reinstates President Kabbah in March and constitutional authority is restored. But it does not provide a sound peacekeeping force, and remnants of the AFRC-RUF retake the Kono diamond fields and re-enter Freetown in December.
- 1999: By early January, AFRC-RUF rebels hold large parts of Freetown, which they loot and destroy. In May, the rebels are driven out and a new ceasefire is agreed. In July, a new peace agreement is signed in Lomé under which the rebels receive government posts and immunity from prosecutions for war crimes.
- 1999: A UN peacekeeping mission for Sierra Leone, UNAMSIL, reinforces ECOMOG in November. In October, the UN-sponsored disarmament, demobilization, and reintegration (DDR) program is launched.
- 2000: By mid-2000 the Lomé agreement is unraveling. UN forces are attacked and, with rebels approaching Freetown, UNAMSIL is reinforced and British troops arrive to help secure the airport and evacuate European citizens. In November, an informal ceasefire is agreed in Abuja, Nigeria.

United Nations interventions and disarmament of rebels, 2001–04

- 2001: UN troops for the first time begin to deploy peacefully in rebel-held territory.
- 2002: President Kabbah declares that the war with the RUF is over at a ceremony on January 18. UN Secretary-General, Kofi Annan, authorizes the establishment of a special court for war crimes.
- 2004: The disarmament and rehabilitation of more than 70,000 war combatants is officially completed. In May, the first local elections are held in more than three decades. War crimes trials begin in June.

¹ Sources: The Economist Intelligence Unit and British Broadcasting Corporation

Box 2. Sierra Leone: Evolution of Key Economic Indicators During 1991–2004

This box discusses the evolution of key economic indicators during and after the civil conflict.

Real GDP contracted by 5 percent annually, on average, during the conflict years 1991–2001. The breakdown in law and order, destruction of key economic installations, and rebel occupation of the mining and agricultural areas dampened business confidence and production. With the signing of the Lomé peace accord in July 1999, and the deployment of UN troops in rebel-held territory in 2001, the economy began to recover. Real GDP rose by 14½ percent annually, on average, during the post-conflict period 2002–2004 mainly as a result of the reestablishment of government control and authority and the extensive rehabilitation and humanitarian activities in liberated areas. (The recent growth rates are based on a revised GDP series that captures informal activity more extensively.)

Inflation fluctuated sharply during the conflict period and remained high at 30 percent, on average. Loose policies as well as cost-push pressures emanating from exchange rate depreciation and an increase in imported rice prices contributed to the high inflation. The monetization of the fiscal deficit, through the transmission of money supply, fueled year-on-year rates of inflation of more than 100 percent in 1991. Relatively tight fiscal and monetary stances during 1993–1996 kept inflation rates at lower levels. After the signing of the peace accord, inflation fell sharply from 34 percent in December 1999 to -1 percent in December 2000, as macroeconomic policies were tightened, the supply situation improved, and the exchange rate appreciated. Inflation remained low in 2001 and 2002 (with annual average rates of 2.6 and -3.7 percent, respectively) owing to further improvements in the supply situation, increased trade competition, and relatively stable exchange rates. However, it rose in 2003 and 2004 as a result of higher fuel prices, monetary expansion, and exchange rate depreciation.

The overall fiscal deficit (excluding grants) as a percent of GDP increased during the conflict period, from 9 percent in 1991 to about 17 percent in 2001. Budgetary management came under pressure because of the need for increased military outlays, government losses on petroleum import operations, and civil service pay increases. Furthermore, domestic interest payments rose substantially during the conflict, driven by the large funding requirements of the government that pushed up interest rates. During the post-conflict period, the overall deficit (excluding grants) remained relatively high, reflecting substantial expenditure needs as well as revenue weakness.

The external current account deficit (excluding grants) widened during the conflict period, from 5 percent of GDP in 1991 to 22 percent in 2001. The deficit reflected growing domestic imbalances. On the trade side, exports were limited while imports fell sharply due to a trade embargo and curtailment of official assistance. The deficit has remained significant since the end of the conflict, averaging about 15 percent during 2002–2004, reflecting the sharp increase in commercial and humanitarian relief imports, as well as the country's limited export capacity.

Box 3. Sierra Leone: Socioeconomic Impact of the Conflict

The civil conflict in Sierra Leone during 1991–2001 worsened an already severe humanitarian situation and significantly set back economic development.

Humanitarian conditions

The humanitarian situation in Sierra Leone is very grim. Sierra Leone, still recovering from the aftermath of the devastating civil war, ranks last in the 2004 UNDP human development index. Its infant mortality and maternal mortality rates are the highest in the world. Life expectancy at birth was only 34 years in 2002 compared to an average of 46 years for sub-Saharan Africa and 65 years for all developing countries. The high levels of sexual violence associated with the war may have laid the basis for an HIV/AIDS epidemic.

Conflict-related poverty

Poverty increased over the past decade. According to the *World Development Indicators* database of the World Bank, the proportion of people living in extreme poverty (expenditures of less than US\$1 a day) increased from 57 percent in 1990 to 70 percent in 2003. Three out of four people in the urban zones outside Freetown do not get the minimum nutritional requirement consistent with the food poverty line. The UNDP estimates that only about 43 percent of the population has access to clean drinking water.

Health and education

The war had a major negative impact on health and education. The large-scale devastation of education and health infrastructure during the civil war virtually stopped key social services outside Freetown. War-related closure or destruction of many provincial schools and colleges left much of the rural population without access to education. Sierra Leone's literacy rate, at 36 percent, is among the lowest in the world, and much lower than the average for sub-Saharan Africa (63 percent). However, the school enrolment ratio has increased in recent years, and is now even slightly higher than the one for sub-Saharan Africa. The displacement of more than 2 million civilians during the conflict (half of the country's population) overwhelmed an already weak health care system.

Human Development Indicators for Selected Countries

| | HDI value | Life expectancy at birth (years) | Population below income poverty line (%), US\$ 1 a day | Population without sustainable access to an improved water source (%) | Adult literacy rate (% ages 15 and above) | Combined gross enrolment ratio for primary, secondary, and tertiary schools (%) |
|--------------------------------|-----------|----------------------------------|--|---|---|---|
| | 2002 | 2002 | 1990-2002 | 2000 | 2002 | 2001/02 |
| Sierra Leone | 0.273 | 34 | 57 | 43 | 36 | 45 |
| Congo, Democratic Republic of, | 0.365 | 41 | .. | 55 | 63 | 27 |
| Congo, Republic of, | 0.494 | 48 | .. | 49 | 83 | 48 |
| Guinea-Bissau | 0.350 | 45 | .. | 44 | 40 | 37 |
| Rwanda | 0.431 | 39 | 36 | 59 | 69 | 53 |
| Sub-Saharan Africa | 0.465 | 46 | .. | .. | 63 | 44 |
| Developing countries | 0.663 | 65 | .. | .. | 77 | 60 |

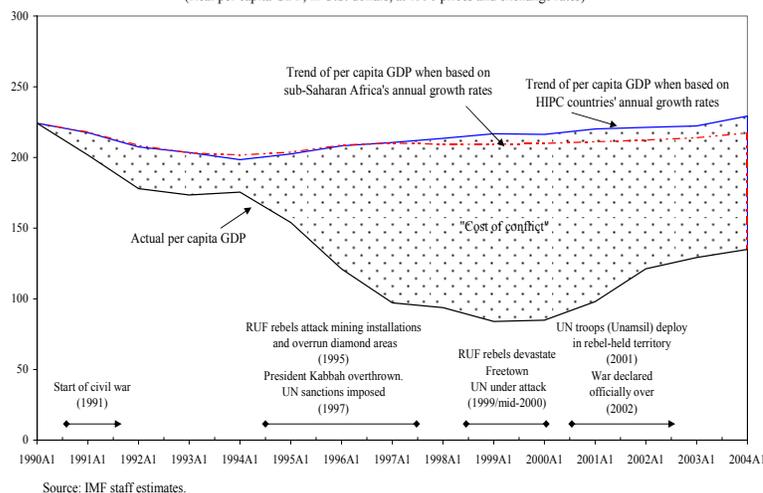
Source: UNDP *Human Development Report* (2004).

Economic growth

All major activities were disrupted by the conflict, which led to a collapse of agriculture, manufacturing, and mining production. Real GDP during the conflict years 1991–2001 fell, on average, by 5 percent annually. The renewed violence in January 1999 put an end to the modest economic recovery that started in late 1998. More recently growth has started to recover, but real per capita GDP (US\$130 in 2003) is still well below the average for sub-Saharan African countries (US\$590) and that in other post-conflict countries (Rwanda, US\$337, and the Republic of Congo, US\$1,123).¹ War-related disruption of the rural economy exacerbated the impact on the poor, since almost two-thirds of employment is in agriculture. In terms of the macroeconomic costs of the conflict, per capita GDP in 2001 was less than half of what it would have been if its growth rate had been similar to that in other African or HIPC countries during the previous decade (Figure 1).

1/ Source: IMF, *Sub-Saharan Africa Regional Economic Outlook*, October 2004.

Figure 1: Sierra Leone: An Estimate of the Output Loss due to Conflict (Real per capita GDP, in U.S. dollars, at 1990 prices and exchange rates)



Source: IMF staff estimates.

4. **Against this background, Sierra Leone has had almost continuous involvement with Fund programs since 1994 under a variety of arrangements (Table 2).** After the clearance of the country's arrears to the Fund in March 1994, a program supported by assistance under the Structural Adjustment Facility (SAF, 1994–95) and Enhanced Structural Adjustment Facility (ESAF, 1994–98) was approved by the Fund. The ESAF program was interrupted by the resumption of civil war and a coup in mid-1997. Emergency post-conflict assistance (EPCA) was provided during 1998–2001, and support under the Poverty Reduction and Growth Facility (PRGF) during September 2001–June 2005.

5. **Progress under the programs was frequently interrupted by renewed violence, but has resumed after peace was established in 2002.** Gains were made during 1994–early 1997 in attaining macroeconomic stability and implementing structural reforms, but the resumption of violence in 1997 represented a major reversal. The violence caused both humanitarian distress and set back future development by destroying capacity and infrastructure. Since 2001, renewed progress has been made through policies under the PRGF program to rebuild the economy and lay the basis for long-run growth. However, Sierra Leone continues to face daunting longer-run challenges.

II. ASSESSMENT OF FUND INVOLVEMENT

A. Program Objectives in Sierra Leone, 1994–2004

6. **Although both conflict and nonconflict countries share the same overall challenge of raising growth and reducing poverty, the policy priorities often differ between them.** There is overwhelming evidence across developing countries that macroeconomic stability is essential for sustaining higher growth and poverty reduction in the longer term. In the near term, however, conflict countries face a particularly difficult tradeoff between measures to cement the peace, which usually entail higher spending on social services and infrastructure, and measures to achieve long-term fiscal sustainability.³ The availability of external financing can be critical in such situations.

7. **Against this background, several considerations are relevant in assessing the economic programs in Sierra Leone.** The key considerations are the appropriateness of program objectives and design; economic performance in relation to program objectives; and compliance with program conditionality. In Sierra Leone, the general pattern emerges of an

³ Furthermore, because of the destruction of administrative capacity that usually occurs during conflicts, the need to rebuild capacity is often more urgent in post-conflict countries than other countries. For a review of policies and experience in post-conflict countries, see P. Fallon and others, 2004, *Review of Recent IMF Experience in Post-Conflict Countries*, forthcoming IMF Occasional Paper (Washington, DC: IMF); P. Collier and A. Hoeffler, 2002, "Aid Policy and Growth in Post-Conflict Societies," World Bank Policy Research Paper No. 2902 (Washington, DC: World Bank); and P. Collier, 1999, "On the Economic Consequences of Civil War," *Oxford Economic Papers*, 51, pp. 168–183.

improvement over time in economic outcomes and capacity, as external support in the form of international troops and financing increased significantly.

8. **All the Fund-supported programs in Sierra Leone during 1994–2004 had the same overarching aim of raising long-run growth and reducing poverty. Their near-term objectives, however, varied with existing circumstances.** The ESAF-supported program sought to build on the gains made under the rights program in stabilizing and restructuring the economy; the EPCA program gave priority to consolidating the peace and rebuilding administrative and institutional capacity; and the PRGF program focused, first, on dealing with the immediate aftermath of the conflict by restoring law and order, infrastructure, institutional capacity, and macroeconomic stability, and, in a second phase, on strengthening the long-term basis for poverty reduction and development by improving public services, maintaining macroeconomic stability, and implementing structural reforms.

9. **Each of the programs emphasized disciplined macroeconomic policies and structural reforms.** A cornerstone of the ESAF and EPCA programs was fiscal policy tightening through both revenue increases and expenditure cuts, including military spending reductions based on the expectation that the security situation would normalize. The PRGF program—attempting to address effectively the dilemmas the nation was facing, and thus generate ownership—tried to strike a balance between expenditures on peace-keeping activities and rapidly achieving long-term fiscal sustainability. It envisaged a short-term fiscal expansion to facilitate post-conflict rehabilitation and reconstruction. It also envisaged military spending reductions against the firm background of a stronger external military presence that was eventually pivotal in restoring security.

B. Program Performance Relative to Objectives

10. **Performance relative to program objectives improved over time and was strongest under the PRGF (Table 3).** Growth performance was worse than programmed under the ESAF and EPCA, and slightly better than programmed under the PRGF. The external position, as measured by international reserves and the external current account balance, was stronger than programmed through most of the review period (although in 2003 reserves in months of imports fell below programmed levels). The strength of the current account balance relative to the program, however, reflected lower investment rather than higher saving. Fiscal performance as measured by the budget balance was weaker than programmed under the ESAF and EPCA, and stronger than programmed under the PRGF.⁴ Structural reforms received increasing emphasis over the review period and performance relative to targets improved over time.

11. **Compliance with program conditionality was generally good in the years when the conflict was quiescent. Compliance was better under the PRGF than previous programs, in part reflecting the success of the post-conflict political transition (Table 4).** However, noncompliance tended to recur in a few areas, notably with regard to domestic

⁴ However, even under the PRGF there were slippages on the net domestic financing targets.

financing of the budget and the civil service wage bill. Domestic budget financing exceeded program objectives as external budget support frequently fell short of program projections. The civil service wage bill remained high as the recurrence of conflict tended to distort policy priorities toward immediate rather than longer-term needs and to reduce the political feasibility of reforms that were socially costly in the near term.

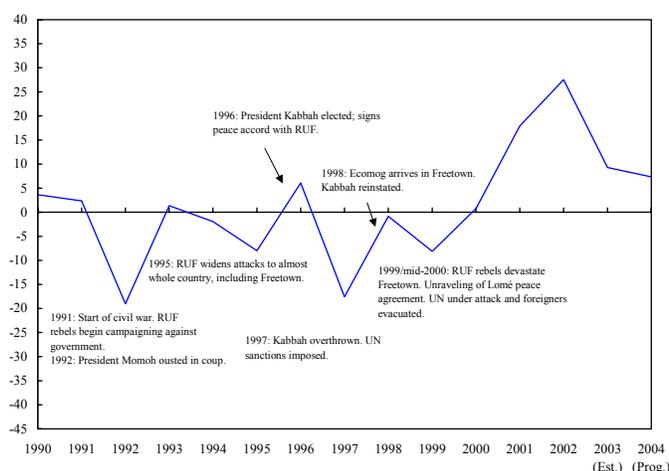
12. **The stronger performance under the PRGF reflected a number of factors.** A more secure social situation, which owed in part to a stronger external military presence; better external conditions; the existence of a unified central government that enjoyed broad public support; and the relatively high degree of conditionality built into the program all helped to strengthen policy implementation. The relatively stronger fiscal performance under the PRGF reflected both greater external support and the authorities' continued commitment to program implementation. Fiscal expenditure was lower than programmed throughout the period (albeit due to lower development expenditure). Under the PRGF, external grants and domestic revenue collection were more closely in line with program projections as a result of stronger external support, better projections of the revenue base, and a greater revenue collection effort.

Macroeconomic objectives

13. **Real GDP growth objectives were achieved under the PRGF program, but were generally not achieved under the ESAF and the EPCA.** Growth fell substantially below program objectives in 1995 and 1997 (ESAF) and in 1999 (EPCA) as the

recurrence of the conflict invalidated program assumptions about social stability and disrupted economic activity. During 2001–2003, growth was roughly in line with program objectives.⁵ For 1994–2003 as a whole, average GDP growth in Sierra Leone was stronger than its level during the preceding decade (0.7 percent compared with -1.1 percent) but weaker than growth in comparator countries (Table 5 and Figure 1).

Figure 1. Sierra Leone: Real GDP Growth, 1990–2004
(In percent)

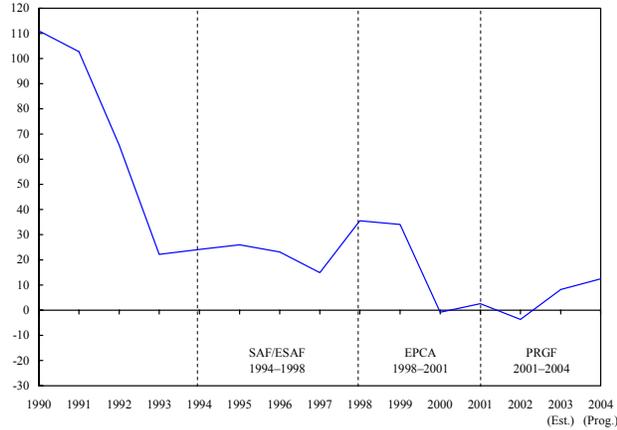


⁵ The 2001–2003 GDP series was revised upward in 2004, with Fund technical assistance, as its coverage was expanded to include services and related informal sectors. The programmed and actual GDP growth rates (old series) during 2001–2003 both averaged just over 6 percent, while the revised growth rate (new series) averaged 18 percent. In Table 3, the reported outturns for 2001–2004 show the new series but the program projections show the old series.

14. Inflation objectives were substantially missed under the ESAF but they were closer to being achieved under the EPCA and have generally been achieved under the PRGF.

During the ESAF period, loose fiscal and monetary policy, as well as a number of cost-push factors such as sales tax and import price increases and exchange rate depreciation, contributed to higher inflation than envisaged. In subsequent years, inflation steadily converged to targeted levels, and during 2001–2003 it averaged 2½ percent (year-on-year), which was less than half the targeted level.⁶ Overall, during 1994–2003, substantial gains were made in consolidating the inflation reduction achieved under the rights program—when inflation fell from 115 percent in the early 1990s to 15 percent by 1993—and inflation was brought down to single digits (Figure 2).

Figure 2. Sierra Leone: CPI Inflation (period average), 1990–2004
(Period average; annual percentage change)



15. The targeted reduction in fiscal deficits was missed under the ESAF but was achieved under the EPCA and PRGF programs. Targets for the fiscal balance (excluding grants) as a percent of GDP were missed during 1995–97, but were met in most of the subsequent years and met by a substantial margin in 2001–2003.⁷ The achievement of the

Figure 3. Sierra Leone: Central Government Tax Revenues and Expenditures, 1990–2004
(In percent of GDP)

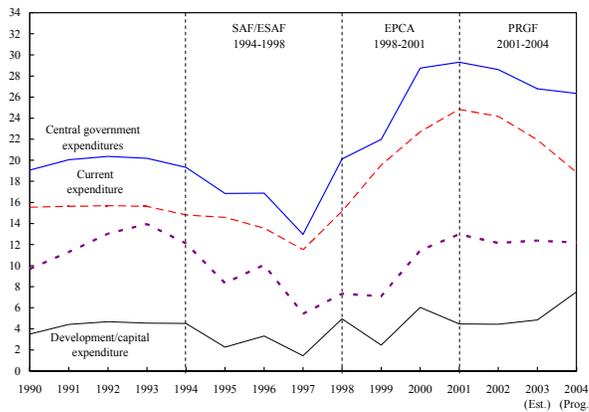
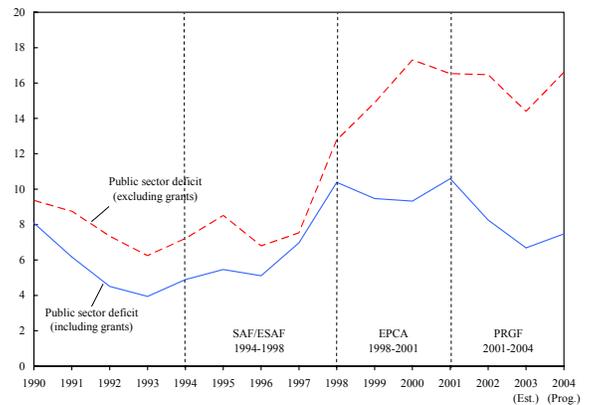


Figure 4. Sierra Leone: Public Sector Deficit, 1990–2004
(In percent of GDP)

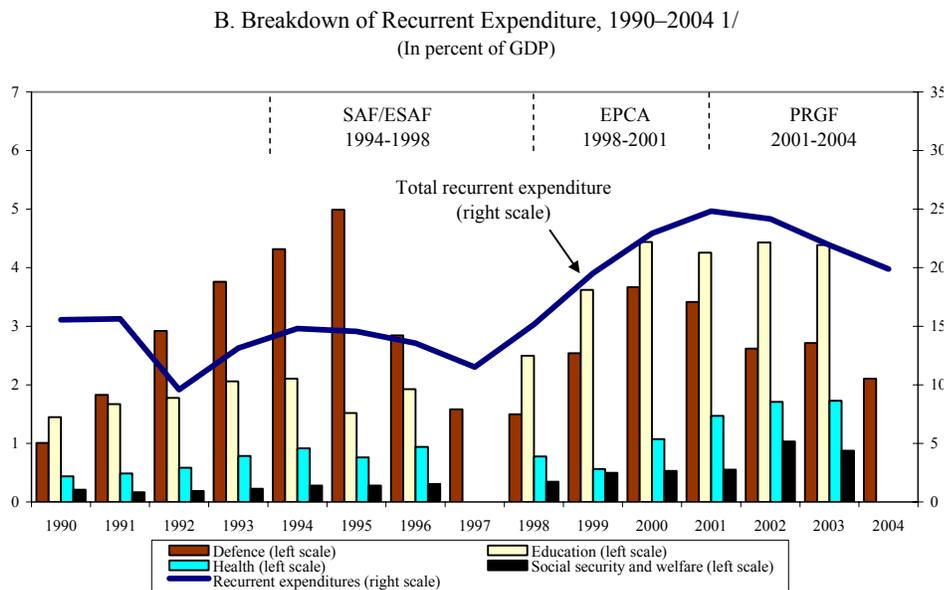
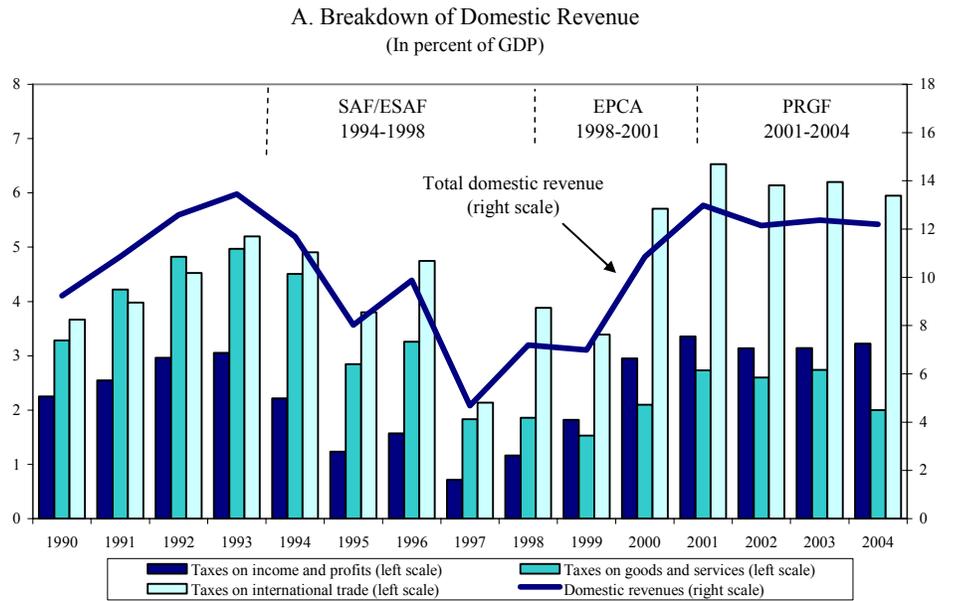


⁶ In 2003, however, inflation rose to 8¼ percent (4 percentage points above the original target), reflecting both exogenous factors (fuel costs) and expansionary monetary policy.

⁷ The fiscal balance including grants has been a program objective only since 1998 and the target was achieved during 1999–2003. The domestic primary balance target was missed during the ESAF years (except 1996) but achieved in most subsequent years (except 1998 and 2001).

fiscal balance targets mainly reflected lower expenditure than envisaged throughout the review period in part owing to optimistic program assumptions on spending associated with disbursements of external grants and loans. Revenue as a percent of GDP was also generally lower than targeted (except during the EPCA), reflecting optimistic expectations about revenue gains from tax policy and administration measures and about the restart of mining operations (Figures 3–5). The objective of the fiscal program to reduce net domestic financing of the deficit was frequently missed owing mainly to shortfalls in external budget support and higher than targeted recurrent expenditure (especially wages).

Figure 5. Sierra Leone: Fiscal Impact of Conflict, 1990–2004



1/ Expenditure breakdown not available for 1997 and 2004.

16. **The external sector objectives, which sought to improve external viability, were mostly achieved under the programs.** The external current account balance as a percent of GDP was stronger than programmed in most years, although this reflected weaker investment than projected rather than stronger saving (Figure 6). International reserves relative to imports fell short of projections under the EPCA, and in 2003, but generally exceeded targets under the ESAF and PRGF (Figure 7). The ratio of external debt service to exports remained below projected levels (except in 1996–97), the external debt performance criteria were consistently achieved, external arrears accumulation was avoided as envisaged (except for a brief period in 1996), and substantial debt relief was achieved from external creditors, particularly the Paris Club (Figure 8). With Sierra Leone reaching the decision point under the HIPC Initiative in March 2002, debt relief has been broadened to include multilateral creditors.⁸

Figure 6. Sierra Leone: External Current Account Deficit, 1990–2004
(In percent of GDP)

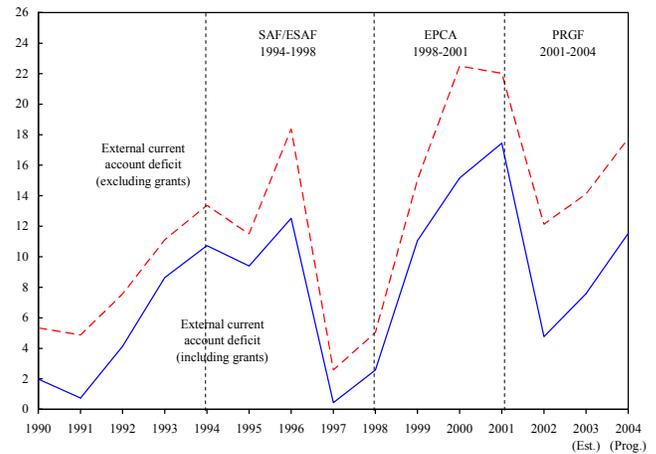


Figure 7. Sierra Leone: International Reserves, 1990–2004
(In millions of U.S. dollars)

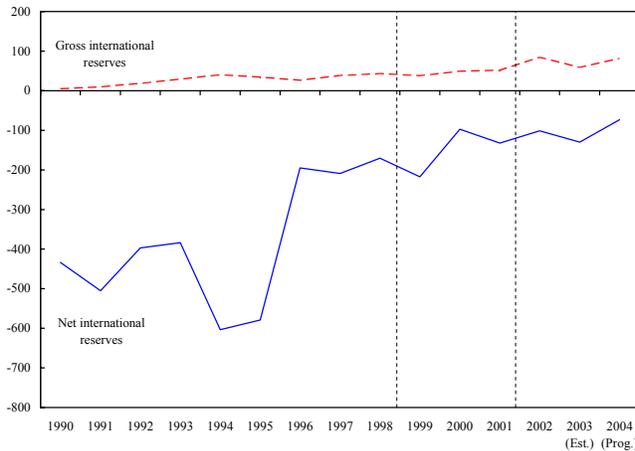
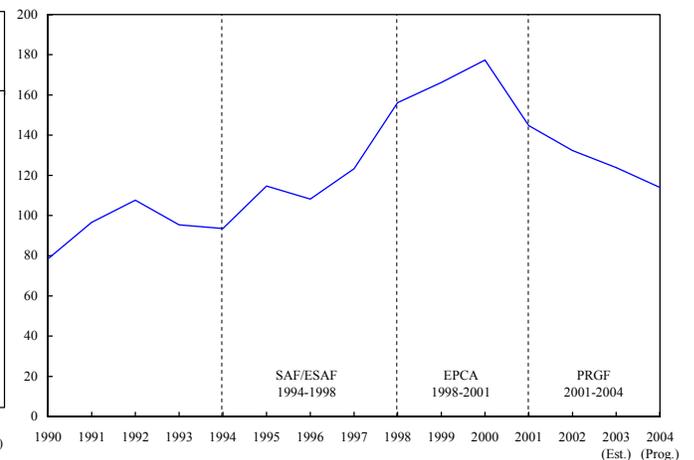


Figure 8. Sierra Leone: External Public Debt, 1990–2004
(In percent of GDP)



⁸ External debt as a percent of GDP is estimated at 115 percent of GDP in 2004, which is higher than its 1994 level, but the anticipated HIPC debt reduction would lower it to around 60 percent by 2006. External debt service ratios after the full delivery of HIPC initiative debt relief would fall below 5 percent over the medium term.

17. **Export performance, however, was weaker than projected.** In part this was because the conflict often recurred during the program period, contrary to projections. After the rebel attacks on the rutile and bauxite mines in 1995, exports from the mines fell by half in 1996 and to zero in subsequent years. Agricultural exports were similarly affected by the conflict, which disrupted transport networks and rural economic activity, but have started to recover during the PRGF period (Figures 9–10).

Figure 9. Sierra Leone: Exports of Minerals, Cocoa, and Coffee, 1990–2004
(In millions of U.S. dollars)

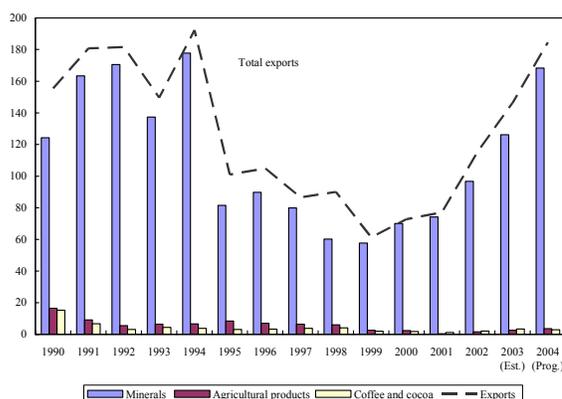
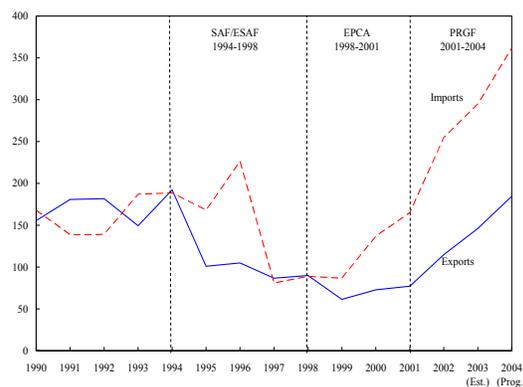


Figure 10. Sierra Leone: Exports and Imports, 1990–2004
(In millions of U.S. dollars)



18. **The monetary objectives of the programs were generally not attained, as monetary growth exceeded program targets through most of the review period while private sector credit growth fell short.** Broad and reserve money growth were within targeted levels under the EPCA, but they exceeded targets during the ESAF and PRGF, in part reflecting larger than expected domestic bank financing of the fiscal deficit. The higher bank financing in turn crowded out credit to the private sector, which was lower than envisaged until 2001.⁹ Commercial and central bank NFA were generally lower than envisaged during 1994–2004. That the inflation objectives were achieved under the PRGF notwithstanding rapid monetary growth owes in part to stronger than expected growth in the demand for money following the resettlement of areas previously cut off by the conflict.¹⁰

⁹ The main reason for the low level of private sector credit, however, was a weak environment for private sector activity, particularly during the conflict. In 2004, commercial bank lending to the private sector still accounted for only 8 percent of banks' assets.

¹⁰ In addition, improvements in the supply situation for both imports and locally produced goods helped to reduce inflationary pressures.

Structural reform objectives

Public sector

19. **Public sector reforms focused on establishing a foundation for sound public finances and the effective conduct of fiscal policy.** Specifically, reforms focused on improving tax policy, tax administration, expenditure policy, and expenditure management, as well as on strengthening and rebuilding fiscal institutions. Overall, program objectives were generally achieved on tax reform but progress was mixed on expenditure reforms, which have however accelerated under the PRGF. (Structural reforms are reviewed in detail in the Appendix.) Program objectives with regard to fiscal institution building were generally met. All aspects of the public sector were, however, negatively affected by the conflict, and much of the progress made in strengthening the public sector was undone during the 1997–98 military rule that left public institutions and capacity in worse shape than in 1994 (Box 4).

20. **Civil service reform objectives were largely unachieved, owing to the recurrence of conflict.** The reforms were generally well conceived but were largely unimplemented because the high frequency of conflict episodes prevented them from gaining momentum and weakened the political environment for their implementation.¹¹ In addition, reforms were inhibited by weaker donor support and implementation capacity than had been expected.

21. **The envisaged reductions in military spending were not realized during 1994–2001 but were substantially realized under the PRGF.** Commitments to reduce or contain military spending under the ESAF and EPCA were missed. A quick resumption of peace was not realized, making it difficult for the authorities to lay off a large number of soldiers. The EPCA period saw the re-hiring of soldiers for security reasons as well as the implementation of the new Disarmament, Demobilization, and Reintegration (DDR) program that entailed significant outlays. Under the PRGF, however, the presence of external peacekeeping troops and the improved security situation have allowed military spending to be reduced, from 4 percent in 2001 to 3½ percent in 2003, in line with program objectives.

22. **Some progress was made during the review period in developing a policy framework for governance and transparency of the mineral sector.** A framework was developed to address the rehabilitation of large-scale mining operations and the regulation of artisanal mining activity. The government has expressed to the World Bank its interest in participating in an Extractive Industries Transparency Initiative (EITI), under which all revenue flows from the mining sector would be published, helping to improve transparency and governance. The World Bank is also assisting the government to establish a modern mineral rights and land registry for the mining industry.

¹¹ The World Bank and U.K. Department for International Development (DfID) were closely involved in designing the reforms, whose core element entailed retrenchment combined with real wage increases.

Box 4: Implications of the Conflict for the Fiscal Sector

The adverse economic and fiscal impact of the conflict in Sierra Leone may have been less than in some other, very severe, post-conflict cases such as Afghanistan, Cambodia, Mozambique, and Rwanda, but it has been substantial.¹ The main negative fiscal implications of the conflict in Sierra Leone are as follows:

- **Although the tax system remained broadly intact, conflict episodes substantially reduced revenue through both direct and indirect channels.** Rebel attacks and a breakdown of mining activities caused a direct loss in revenue from rutile and bauxite-related taxes, while slumps in activity and damage to business and consumer confidence caused indirect revenue losses.²
- **Conflict episodes adversely affected the human capital and physical infrastructure of the tax administration and other fiscal institutions,** including the Ministry of Finance. These had to be rebuilt almost from scratch after the hostilities.
- **The conflict resulted in major disruptions to expenditure planning due to large unanticipated costs.** Such costs related mainly to the reconstruction of transport, social, and other infrastructure; military demobilization and disarmament; and the reintegration of refugees.
- **Conflict episodes led to a shift in the composition of spending in favor of security spending and away from social spending.** In Sierra Leone, the share of military and other security spending in overall expenditure rose from 5 percent in 1990/91 to 15 percent in 1994, and remained high through 2003 (11 percent), crowding out other economically and socially useful outlays.
- **Tax arrears of state-owned and other enterprises built up during conflict episodes, putting additional strains on the already weak tax administration.** The build-up of arrears (over 2 percent of GDP in 2004) has had a moral hazard impact lasting beyond the conflict episodes and has limited the recovery of tax collection.
- **Due to revenue shortfalls and higher spending needs, conflict episodes contributed to higher fiscal deficits and larger domestic financing than targeted.**³ The higher domestic financing may have fueled inflationary pressure.

Due to the substantial need for domestic and external financing, Sierra Leone emerged from conflict with an enlarged public debt (150 percent of GDP in 2002). Eventually HIPC debt relief was required to restore public debt sustainability.

¹ The damage caused by conflict in Sierra Leone is considered similar to that in Albania, Serbia and Montenegro, Tajikistan, and Yemen. (See rebuilding Fiscal Institutions in Post-Conflict Countries, Board paper [Rebuilding Fiscal Institutions in Post-Conflict Countries](#), December 10, 2004 and [Background Paper for "Rebuilding Fiscal Institutions in Post-Conflict Countries" -- December 10, 2004](#). Box of this report discusses the wider costs of the conflict in Sierra Leone.

² The halt in production of bauxite and rutile alone accounted for a direct loss of 2 percent of GDP in fiscal revenue in 1994–95.

³ Staines (WP/04/95) shows that countries typically tended to run higher fiscal deficits in conflict periods than before, and that this impact has been stronger in the conflicts of the 1990s than in conflicts in earlier decades.

External sector

23. **The external sector structural reform agenda was fairly limited during Sierra Leone's successive Fund programs since the trade and exchange regime were already considerably liberalized prior to the start of ESAF** (see Appendix I). Nonetheless, the programs sought to remove remaining trade and exchange restrictions, in addition to normalizing relations with external creditors, diversifying exports, increasing trade flows through official channels, and attracting foreign investment. The implementation record was mixed. Good progress was made in liberalizing the trade and exchange regime and normalizing external relations, but less was done to diversify exports and attract foreign investment.

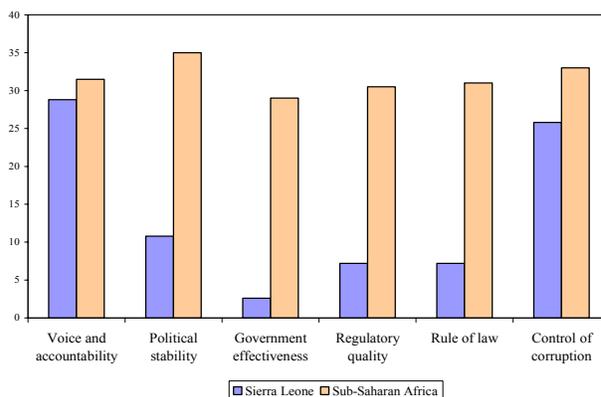
Financial sector

24. **The programs aimed to promote financial intermediation and strengthen the financial system.** The objectives were largely unmet, although some progress has been made during the PRGF period. Financial intermediation has remained low, in part owing to high lending rates and a weak private sector investment environment that is in part the legacy of past political uncertainty. Improvements in central bank supervision and regulation were considerably delayed by the conflict, which also impeded technical assistance. In 2000, a new banking act was passed (originally intended for 1994) that is starting to have an effect on banks' capital and asset quality standards and on the central bank's capacity, with Fund technical assistance, to license banks, enforce bank regulations, and conduct on- and off-site examinations. In addition, the Other Financial Services Act was enacted in 2001 to extend the regulatory and supervisory role of the BSL to nonbank financial institutions. A National Microfinance Policy was adopted in 2002 with the objective of integrating microfinance into the broader financial system.

Capacity and data issues

25. **Substantive progress was made under the EPCA and PRGF toward meeting program objectives of strengthening governance and administrative capacity.** The ESAF focused on strengthening the government's collaboration with NGOs in the provision of health and education services, increasing administrative capacity through greater civil service and judicial system efficiency, and providing basic infrastructure such as roads. The gains were modest in light of the government's preoccupation with the security situation, and were quickly reversed during the renewed conflict in 1997–99 (Figure 11). Subsequently, the EPCA

Figure 11. Sierra Leone: Governance Indicators, 2002
(Percentile ranking) 1/



Source: Governance Research Indicator Country Snapshot, Sierra Leone. Kaufmann, Kraay, Zoido-Lobaton (2002), <http://info.worldbank.org/governance/kkz2002/> 1/ A higher number indicates better governance (1-100 ranking).

focused on reconstructing the economy, rebuilding lost capacity, establishing anti-corruption institutions, and strengthening corporate and financial governance, and the PRGF sought to further the rebuilding, improve civilian control of the military, restore law and order, and train the civil service. These objectives were largely achieved.

26. **The EPCA and PRGF sought to improve the economic data, with limited success.** The Fund supported the authorities' efforts to strengthen the central statistical office and improve the macroeconomic data in the context of Sierra Leone's participation in the General Data Dissemination System and related technical assistance. The coverage of the historical GDP statistics was expanded in 2004, but the revised series goes back only to 2001 and significant gaps remain in the data. A planned reconciliation of fiscal and monetary data was not achieved due to capacity limitations.

C. Appropriateness of Program Objectives and Program Design

27. **The overall assessment, detailed in the following paragraphs, is that program design has generally been appropriate but that it should have included greater contingency planning.** ESAF and EPCA programs fell short of achieving their objectives primarily due to the continuation of the hostilities, which, among other things, prevented the reduction of military spending and the strengthening of the fiscal position. As is typical in post-conflict countries, the programs were designed in a highly uncertain situation where nation building and economic stabilization had to proceed hand in hand. There was considerable discussion at that time whether more relaxed fiscal targets would have facilitated the peace process. However, higher fiscal deficits may have implied more unstable macroeconomic conditions. Be this as it may, the programs were premised on the understanding that peace would prevail. With the benefit of hindsight, this understanding proved wrong. The durability of the peace since 2001 has owed to both strong international support and sound policies. Over time, Fund-supported policies were increasingly tailored to the special circumstances imposed by the conflict, including the need to rebuild capacity.

28. **The objective of cutting military spending has had an increasingly firm basis over time, in particular reflecting a favorable political transition and strong external military presence since 2001.** Reductions in military expenditure envisaged under the ESAF were intended to help achieve fiscal adjustment, under the understanding that the peace was durable and that improvements in military efficiency would strengthen the government's ability to maintain security. Under the PRGF, military cuts were facilitated by a stronger external military presence and the successful political transition.

29. **External sector objectives were appropriate, with a few exceptions.** Given its flexible exchange regime during the period of Fund programs, Sierra Leone may not have needed as high an international reserve coverage as some other countries. However, the reserves objective (around two months of imports) may have been low both in relation to the external shocks to which Sierra Leone is vulnerable and compared with other PRGF countries (around 4½ months, Box 5). While the accommodation of sometimes sizable current account deficits was warranted given the large reconstruction needs, the mix of

**Box 5: A Comparison of External Sector Targets in PRGF Programs
Following Emergency Post-Conflict Assistance (EPCA) During 1994–2004**

During 1994–2004, there were five PRGF/ESAF programs following EPCA programs: Sierra Leone, Guinea-Bissau, Rwanda, Albania, and Tajikistan. A comparison of the external sector objectives of these EPCA programs indicates the following notable features:

Size of PRGF program:

- The size of PRGF arrangements in all post-EPCA programs has exceeded the normal 90 percent of quota that is allocated to first-time PRGF users, a reflection of generally sizable financing requirements following periods of conflict or other emergencies. Within this group, **the size of Sierra Leone’s PRGF arrangement (120 percent of quota) was among the largest**, with only Tajikistan being granted higher access on account of its large natural disaster-related financing needs.
- In addition to a relatively large PRGF allocation, **the disbursements in Sierra Leone’s program were heavily front-loaded compared to other programs**. This was partly due to the fact that a third of the PRGF funds were applied to repay earlier purchases from the EPCA. Moreover, Sierra Leone had unusually high repayments to the Fund in the 2000–2003 period due to large purchases made under the ESAF/SAF program of nearly a decade earlier.

Macroeconomic targets:

- **Sierra Leone’s target for international reserves has been the least ambitious among all post-EPCA programs**. In particular, the 2.3 months of imports cover targeted by the end of the PRGF compares to levels of 3 months in Tajikistan and above 4 months in Albania, Guinea-Bissau, and Rwanda.
- **The size of the external deficit (26 percent of GDP) was among the highest in Sierra Leone at the start of the PRGF**. Reflecting this, the targeted reduction in the current account deficit (excluding grants) was also highest under the Sierra Leone PRGF (9.2 percentage points) compared to all the other post-EPCA programs.
- **Levels of external transfers assumed under the Fund program (12–14 percent of GDP annually) were high in Sierra Leone compared to other countries**. Only in Rwanda’s PRGF were similarly high levels of assistance projected. In both cases, these projections have turned out over-optimistic.
- **Reflecting the large external transfers assumed, Sierra Leone was expected to have among the lowest financing requirements (after grants) by the end of the program**. However, a weaker underlying deficit and a shortfall of grants have precluded the anticipated narrowing of external financing requirements.

Conditionality:

- **Like most post-EPCA programs, Sierra Leone’s PRGF contained external sector structural benchmarks during the first year of the PRGF** (removal of Article VIII restrictions and the removal of restrictions on cigarette imports). Two other PRGF programs (Guinea-Bissau and Rwanda) had benchmarks on reducing tariff levels, but this area of conditionality did not feature in Sierra Leone’s case due to its already low levels of tariff protection.
- **Adjustors on NIR or NFA floors show that Sierra Leone’s program design was more accommodating in allowing reserves to fall to low levels**. In particular, other programs either had no allowance for shortfalls in external program support (as in Tajikistan) or ensured that there was some cap on the extent that reserves could fall in time of shortfalls (Albania and Rwanda). By contrast, Sierra Leone’s program placed no limits on the extent to which reserves could decline.

financing in the EPCA and ESAF tilted heavily toward loans (60 percent) compared with grants.¹² The debt-related targets were the standard monitoring benchmarks used for programs in low-income countries, but they were relatively unambitious and the debt sustainability now envisaged over the medium term owes instead to HIPC debt relief.

30. **Notwithstanding large current account deficits, the level of the exchange rate seems to have been appropriate.** The REER remained within 5–10 percent of its 1994 level for most of the period, before depreciating by over 20 percent during 2002–04. An earlier and stronger depreciation was probably not warranted, however, since the exchange rate has a limited role in influencing Sierra Leone’s current account deficit, given the (exogenous) security and other supply shocks that affect the export sector as well as the wide range of structural bottlenecks that constrain economic activity. A sharp exchange rate depreciation in the pre-PRGF period, when macroeconomic conditions were unsupportive and conflict was a dominant factor, is unlikely to have helped boost exports and might even have complicated efforts to control government expenditure.

31. **The financial sector objectives were broadly appropriate.** The programs aimed to promote financial intermediation and improve resource allocation within the banking system, strengthen the viability and stability of the financial system, and increase the availability of term financing for productive investment and of private sector credit. The envisaged strategy consisted in deregulating interest rates, expanding the menu of savings instruments, and maintaining positive real interest rates; improving bank regulation and supervision by the Bank of Sierra Leone; and revising the regulatory framework and restructuring commercial banks.

32. **A key consideration in assessing program design in post-conflict countries is whether a focus on macroeconomic targets has caused other priorities, such as capacity building, to be neglected.** In Sierra Leone, the general approach to program design seems to have been largely appropriate in terms of making policy discipline a priority, achieving key structural reforms, and taking into account the social implications of macroeconomic policies. Moreover, capacity building and other priorities were not neglected as all of the programs sought to strengthen the authorities’ capacity to implement economic policies.

33. **Specific program targets were generally correctly designed, although in a few areas they could have entailed greater contingency planning.** The fiscal objectives could have included a contingency reserve, as is done in several countries, as the assumptions on which they were based repeatedly turned out to be optimistic. The scope for offsetting some

¹² Under the PRGF, the share of loans in external financing has fallen to about one third. In previous years, the authorities might have made greater efforts to secure grants from bilateral donors and the Fund could have urged donors for more grant financing or set performance criteria that required loans to have a stronger grant element.

of the frequent shortfalls in revenue and external assistance projections through lower spending could have been examined. In addition, the ESAF program had no downward adjustor for the NIR floor in response to shortfalls in balance of payments financing. This was modified, appropriately, in later programs, but such adjustors were not capped and reserves could have fallen to very low levels in response to external financing shortfalls.

34. **The success under the PRGF was achieved against the background of a relatively high degree of conditionality (Table 6).** The number of performance criteria and prior actions under the PRGF program in Sierra Leone was four time and five times, respectively, the average number for PRGF countries as a whole. Although the high level of conditionality was contrary to Fund norms and guidelines, which call for streamlining conditionality, it may have helped in compensating for the conflict-related damage to capacity in Sierra Leone and ensuring step-by-step policy implementation.

35. **Although the transition in Sierra Leone from the first EPCA purchase to a PRGF program was relatively long, it was in retrospect an appropriate strategy.** The unusual experience of Sierra Leone in having three successive EPCAs reflected the need to await more settled political conditions. During the EPCA years (1999–2001), government control was often limited to few parts of the country and efforts to secure peace were frequently interrupted. In this context, and given that UN troops began to deploy in rebel-held territory only in 2001, the timing of the PRGF was appropriate, and the strengthening of peace and capacity building that accompanied it helped to improve program performance.

D. Compliance With Program Conditionality

36. **Compliance with program conditionality was relatively good, particularly taking into account the impact of the conflict on policy implementation.** The authorities' ownership of and commitment to the program, evidenced by such measures as the establishment of an intragovernmental agency to coordinate program implementation, contributed to the relatively regular observance of program conditions (Table 4 and Appendix Table 1). The authorities and the Fund consistently maintained good relations. Program reviews were completed, except when the conflict interrupted the programs (1995, 1997–98).

37. **Although performance criteria and structural benchmarks were generally observed, nonobservance of some conditions tended to recur.** Quantitative performance criteria with regard to domestic and external payments arrears, international reserves, and external debt were generally met, but the targets for net domestic financing of the budget were frequently missed, including for six of the seven most recent quarters reviewed under the PRGF (March 2003–September 2004). The slippages reflected occasional revenue shortfalls, expenditure overruns on security and the wage bill (which were financed domestically), and the shortfalls in external budget support. Structural conditions were generally met but sometimes with a delay. Some conditions remain to be met, notably those related to civil service restructuring, mineral sector administration, and data reconciliation.

While some of the delays reflected slower-than-agreed action on the part of the authorities, others reflected delays in technical assistance by donors.

38. **Program reviews were generally completed, unless the programs were interrupted by conflict.** PRGF reviews have all been completed to date.¹³ The previous programs, however, were frequently interrupted by conflict. Specifically, no EPCA reviews were completed in 1998, and, under the ESAF, only one review was completed (1996) as the first annual arrangement was interrupted by heightened rebel attacks in 1995 and the program went off track after the coup in 1997.

39. **The frequent conflict-related disruption of programs had a negative impact on policy implementation.** The disruption of the ESAF in early 1995 had been preceded by a period of generally favorable policy implementation, but was followed by a significant deterioration in the fiscal position, a collapse of output and exports, and a rise in inflation. Program disruptions in 1997–98 and again for a period in 1999 were accompanied by poor policy implementation and macroeconomic outcomes, extensive physical and humanitarian damage, and a weakening of infrastructure and productive capacity. Moreover, the long-term Fund presence in Sierra Leone does not appear to have encouraged an overly passive approach to policies or to have inhibited domestic capacity in policy formulation.

E. Policy Implementation Lessons

40. **Policy implementation was strongest when domestic security conditions were stable.** Economic policies and outcomes, as well as external financial support, were strongest during periods when the conflict lessened, particularly 2001–2004. When domestic conditions were unstable, favorable external conditions, such as external assistance and supportive terms of trade, were insufficient for improving external viability, as evidenced for example by the rebel-related export collapse in the mid-1990s.¹⁴ The presence of an accepted central authority during the PRGF period also aided policy implementation.

41. **The achievement of program objectives was adversely affected by capacity limitations, shortfalls in external support, and delays in technical assistance.** Most evidently, the program targets in the early years became difficult to reach because the unexpected severity of the conflict diminished the authorities' capability to meet them. The recurrent shortfalls in external support impeded achievement of the fiscal financing targets, as well as monetary and external objectives, but the shortfalls themselves owed in part to

¹³ The fourth and fifth reviews were delayed, however, owing to the need to reconcile fiscal and monetary data and to confirm the receipt of EU budgetary support. The delays required an extension of the program by nine months.

¹⁴ Sierra Leone faced favorable world commodity market developments in the mid-1990s. Its terms of trade rose by 23 percent during 1993–97 while those for the rest of sub-Saharan Africa fell slightly.

delays in policy implementation. Limited administrative capacity in terms of personnel and institutions at times impeded implementation, and the extent of the limitations was not always known beforehand. Delays in technical assistance that owed to political instability (rather than a lack of cooperation from the authorities) slowed down some of the structural measures.

F. Was the Rationale for Fund Involvement Sufficient?

42. **The rationale for Fund financial support to Sierra Leone appears to have been sound.** A key consideration in post-conflict countries is whether the Fund should be involved financially, or whether involvement without lending is sufficient, for example by focusing on technical assistance needs that are especially critical in the post-conflict period. In Sierra Leone, the rationale provided for Fund financial involvement was the uncertainty in external conditions, an underlying balance of payments need, and the role of Fund-supported policies in catalyzing international support. The rationale appears to have been validated as, with Fund support, broadly the right policies were implemented that succeeded in mobilizing international assistance, which in turn was critical for securing the peace and improving the economic situation. In addition, as noted, the programs included policies to strengthen reconstruction and capacity building.

43. **Data provision was adequate for program monitoring in most areas, but several gaps existed.** Although the government finance and central bank data were generally adequate, the reconciliation between various sectors was problematic (and remains to be done). In addition, shortcomings in the basic macroeconomic data, including GDP and inflation, hindered the accuracy of economic assessment.

44. **The timing of Fund involvement may at times have been hasty, but alternative approaches are difficult to identify.** The repeated program disruptions were followed relatively quickly by discussions to bring the program back on track. On such occasions, it may have been prudent to wait until the extent of central authority, and thus implementation capacity, had normalized sufficiently before re-engaging with programs. However, should the Fund have decided not to support Sierra Leone in light of the uncertain political situation, such a decision may have been seen ex post as one of the reasons why the conflict continued.

G. Cooperation with the World Bank and Other Donors

45. **The Fund staff collaborated closely with the World Bank and other donors throughout the review period.** The Fund and Bank each sought to focus on their areas of core competence. Bank lending focused on sectoral programs (including education, health and infrastructure), emergency support for post-conflict rehabilitation, and more recently HIV/AIDS. In the Fund programs, the Bank was closely involved in developing the key structural reforms, including budget and expenditure management reform, civil service restructuring, debt sustainability analysis, and institutional and governance reform. In addition, Fund programs were coordinated with the European Union (EU), which provided budget support and technical assistance, Paris Club creditors (debt relief), and U.K.

Department for International Development (DfID) (technical assistance). Overall, coordination among the international community was critical for securing the peace, through both the direct intervention of peacekeepers (United Nations and United Kingdom, and, previously, ECOWAS and ECOMOG)¹⁵ and support for reforms.

III. MEDIUM-TERM DEVELOPMENT GOALS AND STRATEGY FOR FUTURE FUND INVOLVEMENT

46. **Sierra Leone's economic future rests on two main pillars: peace and economic reforms. With the main political objectives of the post-conflict transition now coming to fruition, Sierra Leone is approaching a potentially important stage in its economic development.** The government's resettlement program (DDR), under which most ex-combatants were disarmed and reintegrated into society, was declared complete in February 2004, and, considering the conflict to be over, the UN security forces will leave the country after 2005. Provided that the peace continues to be maintained, the government will have an opportunity to address its longer-term challenges of achieving stronger growth, poverty reduction, and human development. A strategy for future Fund involvement with Sierra Leone needs to be formulated against this background.

A. Medium-Term Development Goals

47. **The government's overarching medium-term objective is to achieve growth and poverty reduction in line with the Millennium Development Goals (MDGs), against the background of social stability.** In order to achieve this objective, the economic strategy articulated in the Poverty Reduction and Strategy Paper (PRSP) aims appropriately to focus on the critical aspects of maintaining law and order, consolidating macroeconomic stability, strengthening infrastructure, developing agriculture, raising saving and investment, and promoting the private sector.¹⁶

48. **A substantial financing gap is likely to remain even under strong policies.** External budget support is likely to fall over time with a gradual decline in post-conflict assistance and HIPC grants, and customs revenue as a percent of GDP will be reduced with the introduction of a common external tariff in ECOWAS. Substantial external resources are likely to be needed in order for Sierra Leone to make substantive progress toward the MDGs.¹⁷ In addition, Sierra Leone's external vulnerability is still high in a number of

¹⁵ The Economic Community of West African States (ECOWAS) is a regional organization of 15 West African nations formed in 1975. The civil war in Liberia prompted ECOWAS to set up an armed Monitoring Group—ECOMOG for short—in 1990.

¹⁶ The PRSP was sent to Fund and World Bank staffs on February 9, 2005.

¹⁷ In the PRSP, the authorities estimate the financing gap to be US\$922 million (equivalent to 86 percent of 2004 GDP).

dimensions, as gross international reserves are low, net reserves substantially negative, current account deficits high, and debt sustainability dependent on a strong export recovery.

49. **The outlook remains subject to significant risks, including uncertainties over external resources and implementation capacity.** Although the social situation has normalized substantially after 2001, the maintenance of peace following the departure of the international peacekeepers remains a challenge. Looking ahead, substantial external resources will likely be required in order to enable the government to implement the PRSP. There is uncertainty, however, both over the resource need and over forthcoming assistance. A further risk is the extent to which future external financing will comprise grants as opposed to loans.¹⁸ In addition, the government's policy implementation capacity is a risk because it is hard to judge in advance how much of an additional reform effort the existing capacity can handle.

B. Strategy for Future Fund Involvement

50. **Continued close Fund involvement in Sierra Leone is warranted by the significant development needs in the country, the financing gap that likely limits the government's ability to meet them alone, and continued external vulnerability.** Such involvement would be in line with the Fund's commitment to help poor countries achieve the MDGs and would be most effective as part of a concerted international effort.¹⁹ In addition, a successor PRGF arrangement is necessary for Sierra Leone to reach the HIPC initiative completion point. More generally, the Fund can support Sierra Leone's poverty reduction strategy by helping to strengthen macroeconomic stability, implement structural reforms, and build capacity through its Article IV policy advice, possible future program design and financing, and technical assistance.

51. **The Fund's future involvement in Sierra Leone will need to be consistent with its overall approach to low-income countries.** The approach emphasizes focusing conditionality on core areas of the Fund's competence, using precautionary or low-access financing facilities where possible, and avoiding a prolonged use of Fund resources. In Sierra Leone, Fund policy advice would need to be closely coordinated with the World Bank and other donors and aim to set the country on a sustainable growth path. The appropriate level of access to Fund financing can only be determined after the PRSP is completed and a staff assessment made of residual financing needs. In light of the experience under the PRGF,

¹⁸ A relatively high share of grants in external financing will be important in order to maintain fiscal and debt sustainability while spending adequately on security and the MDGs.

¹⁹ Sierra Leone's capacity to repay the Fund does not appear to be at risk as debt service relief that will be provided under the HIPC initiative would cover an estimated 80–90 percent of scheduled external repayments over the medium term.

however, a relatively high level of conditionality may be needed in order to ensure strong policy implementation.

52. **The experience under previous programs should be instructive in the formulation of specific policy recommendations going forward.** Given the record of excessive domestic financing of the budget, and the vulnerable external position, fiscal targets should avoid compounding debt problems and deficits should be financed largely by external grants. Fund and Bank policy advice could contribute, respectively, to enhance fiscal discipline and the investment environment, which would help to promote saving, investment, and private sector development. In order to create supportive social conditions for civil service reforms, such reforms could be phased in and their short term social costs absorbed in the budget. The external debt sustainability outlook depends on export growth, which has been weak historically, and Bank and Fund advice would be helpful on a policy strategy for export recovery.

53. **Although Sierra Leone's history with Fund programs would suggest that a short period of policy implementation and nonfinancial Fund involvement could be considered before committing financial resources, such an approach may have substantial negative implications in practice.** Although Sierra Leone is now in its fourth year of unbroken peace, it is difficult to predict the political situation immediately following the withdrawal of UN troops after 2005. The decision on a subsequent Fund-supported program should depend, as is usually the case, on the judgment to be made regarding program implementation and Sierra Leone's continued capacity to repay the Fund.

54. **A pause in Fund financial involvement in Sierra Leone would, however, have significant practical costs.** Such a pause would delay the HIPC initiative completion point and interrupt interim HIPC initiative relief and possibly other donor financing. In addition, a temporary interruption in Fund support could have a negative impact on economic and social stability. In light of these considerations, and the experience under past programs, the best approach may be a successor PRGF program that places emphasis on capacity and institution building. Over the medium term, however, once the immediate demands of the HIPC initiative completion point have passed and implementation capacity has been strengthened, an exit from Fund financial arrangements could be considered.

55. **Regardless of the timing of future Fund financial involvement, it is important for the Fund to continue to provide technical assistance to Sierra Leone.** The provision of technical assistance will be critical in helping to achieve key structural reforms, such as civil service restructuring (on which the World Bank could take the lead), and to continue to strengthen capacity in key areas. Capacity building efforts could be deepened with respect to the central bank and economic ministries and broadened to include the sector ministries, in

which financial management remains weak.²⁰ Efforts could also be directed toward improving regulatory quality and other aspects of governance, on which the World Bank could take the lead. Economic training and resident advisors would be helpful elements of technical assistance provision, and the reinstallation of a resident representative (perhaps based in another country initially) would help to coordinate the effort as well as monitor a possible future program.

²⁰ Fund technical assistance in public financial management should be coordinated with the World Bank and other donors, who are forming a common framework for multi-donor support in this area.

Table 1. Sierra Leone: Selected Social and Demographic Indicators

| | Sierra Leone | | | Sub-Saharan Africa | | | Low-income countries | | |
|--|--------------|-------|-------|--------------------|-------|-------|----------------------|------|-------|
| | 1985 | 1995 | 2002 | 1985 | 1995 | 2002 | 1985 | 1995 | 2002 |
| I. Population characteristics | | | | | | | | | |
| Life expectancy at birth (years) | | | | | | | | | |
| Total | 36.2 | 36.0 | 37.4 | 49.2 | 49.2 | 45.8 | 54.9 | 58.1 | 58.9 |
| Female | 37.8 | 37.4 | 38.7 | 50.9 | 50.6 | 46.6 | 55.6 | 59.0 | 59.8 |
| Male | 34.8 | 34.8 | 36.1 | 47.6 | 47.9 | 45.1 | 54.2 | 57.3 | 57.9 |
| Mortality rate, infant (per 1,000 live births) | 175.0 | 171.0 | 165.0 | 110.3 | 109.7 | 103.1 | 92.7 | 86.4 | 78.6 |
| Birth rate, crude (per 1,000 people) | 49.0 | 47.1 | 43.9 | 45.6 | 41.8 | 38.5 | 36.9 | 32.1 | 28.5 |
| Death rate, crude (per 1,000 people) | 27.7 | 27.2 | 24.9 | 16.1 | 15.4 | 17.7 | 13.0 | 10.8 | 10.8 |
| Fertility rate, total (births per woman) | 6.5 | 6.2 | 5.6 | 6.4 | 5.6 | 5.1 | 5.0 | 4.0 | 3.5 |
| II. Education | | | | | | | | | |
| Illiteracy rate (in percent) | | | | | | | | | |
| Adult total (of population 15+) | ... | ... | ... | ... | 62.3 | 64.9 | 45.7 | 54.0 | 61.3 |
| Young adult female (aged 15-24 years) | ... | ... | ... | ... | 73.1 | 76.4 | 50.1 | 60.1 | 69.0 |
| Young adult male (aged 15-24 years) | ... | ... | ... | ... | 81.9 | 84.1 | 69.3 | 75.2 | 80.9 |
| School enrollment (in percent) | | | | | | | | | |
| Primary, gross enrollment | 50.2 | 53.1 | 78.9 | 76.1 | 75.7 | 86.9 | 87.9 | 91.2 | 93.5 |
| Female | 41.1 | 43.4 | 92.9 | 66.6 | 68.8 | 79.9 | 76.5 | 82.3 | 87.6 |
| Male | 59.6 | 63.0 | 65.2 | 86.0 | 82.6 | 93.6 | 99.1 | 99.8 | 100.2 |
| Secondary, gross enrollment | 17.3 | 16.9 | 16.5 | 20.1 | 25.9 | 25.7 | 32.6 | 38.8 | 45.6 |
| Female | 12.6 | 12.4 | 12.1 | 15.3 | 23.5 | 23.2 | 24.7 | 31.8 | 40.2 |
| Male | 22.1 | 21.5 | 21.0 | 25.0 | 28.4 | 28.1 | 40.4 | 45.5 | 50.7 |
| Primary, net enrollment | ... | ... | ... | ... | ... | ... | ... | 79.8 | 79.5 |
| Pupil-teacher ratio, primary education | 35.5 | 29.7 | 30.7 | 42.1 | 40.1 | 45.1 | 33.9 | 33.6 | 40.2 |
| III. Health | | | | | | | | | |
| Immunization (in percent of children under 12 months) | | | | | | | | | |
| DPT | ... | 46.0 | 50.0 | 29.7 | 52.6 | 53.7 | 21.8 | 63.6 | 64.6 |
| Measles | ... | 62.0 | 60.0 | 32.8 | 54.3 | 57.6 | 15.3 | 64.5 | 64.7 |
| Access to improved water source (in percent of population) | ... | ... | 57.0 | 53.2 | ... | 58.2 | 66.4 | ... | 75.7 |
| IV. Land use | | | | | | | | | |
| Arable land (in percent of total land area) | 6.6 | 6.8 | 7.0 | 5.7 | 6.5 | 6.7 | 11.9 | 12.2 | 12.5 |
| V. Labor force | | | | | | | | | |
| Total (in percent of total population) | 43.6 | 44.3 | 45.6 | 37.9 | 37.2 | 37.5 | 44.6 | 44.0 | 44.3 |
| Female (in percent of total) | 35.5 | 36.2 | 37.1 | 41.8 | 41.8 | 42.0 | 36.9 | 37.0 | 37.7 |

Source: World Bank, *World Development Indicators*, 2004

- 1/ Data as of 1990.
- 2/ Data not available.
- 3/ Data as of 2000.
- 4/ Data as of 1999.
- 5/ Data as of 2001.
- 6/ Data as of 1996.

Table 2. Sierra Leone: History of Lending Arrangements Since 1994

| Facility | Date of Arrangement | Date of Expiration or Cancellation | Amount Agreed | Amount drawn | Percent drawn | Note |
|------------------------------------|---------------------|------------------------------------|---------------|--------------|---------------|---|
| | | | | | | |
| SAF | 3/28/1994 | 3/27/1995 | 27,020 | 27,020 | 100.0 | <ul style="list-style-type: none"> Parallel one-year SAF and three-year ESAF arrangements. The one-year SAF for SDR 27.02 million was disbursed on March 28, 1994. The three-year ESAF arrangement was originally approved for SDR 88.78 million. Under the first annual ESAF arrangement, SDR 63.5 million was disbursed on March 28, 1994 (first loan), and SDR 5.056 million was disbursed on December 30, 1994 (second loan). The midterm review for the first annual arrangement under the ESAF was completed on December 20, 1994. All of the program's performance criteria were met, with the exception of that relating to the pricing of petroleum products. During 1995, the program ran into difficulties following the escalation of rebel activities and the second annual ESAF arrangement did not proceed upon expiration of the first annual arrangement in March 1995. Pending an improvement in security the government adopted a "holding" program in February 1995. The second annual ESAF loan was originally expected to be SDR 10.112 million, but on December 18, 1995 the Fund augmented this loan arrangement by SDR 13.2 million to a total of SDR 23.2 million (thus, increasing the total three-year ESAF to SDR 101.9 million). The first loan under the second annual ESAF arrangement of SDR 13.056 million was disbursed on December 29, 1995. Despite the continued fragile security situation, the 1996 program was implemented in a satisfactory manner and remained broadly on track, and the second loan of SDR 10.180 million was disbursed on October 16, 1996. The midterm review for the second annual arrangement under the ESAF was completed on October 8, 1996. Continuing security problems contributed to policy slippages in certain areas. The performance criteria on net domestic financing of the budget deficit and on retail pricing of petroleum products were not observed. The performance criterion on civil service retrenchment was not verified because of prevailing circumstances. The third annual ESAF arrangement was approved on May 5, 1997 for SDR 10.112 million. The first loan of SDR 5.056 million was disbursed on May 15, 1997. The second loan of SDR 5.056 was expected for September 30, 1997. However, it was not disbursed because the program went off track following the military coup that overthrew the government on May 25, 1997. The commitment period for the ESAF expired in May 1998. |
| ESAF | 3/28/1994 | 5/4/1998 | 101,904 | 96,848 | 95.0 | |
| Emergency Post-Conflict Assistance | 11/9/1998 | 11/9/1999 | 11,580 | 11,580 | 100.0 | <ul style="list-style-type: none"> Emergency post-conflict assistance to help the government's economic program for 1998/99. The full amount was disbursed on November 12, 1998. |
| Emergency Post-Conflict Assistance | 12/17/1999 | 12/17/2000 | 15,555 | 15,555 | 100.0 | <ul style="list-style-type: none"> Emergency post-conflict assistance to help the government's reconstruction and economic recovery program for 2000. The full amount was disbursed on December 22, 1999 following a period of accumulation of arrears to the Fund. |
| Emergency Post-Conflict Assistance | 9/8/2000 | 9/8/2001 | 10,370 | 10,370 | 100.0 | <ul style="list-style-type: none"> Emergency post-conflict assistance to help the government's reconstruction and economic recovery program for 2001. The full amount was disbursed on September 13, 2000. [All three loans under EPCA between 1998 and 2000 were on GRA terms.] |
| PRGF | 9/26/2001 | 6/25/2005 | 130,840 | 102,837 | 78.6 | <ul style="list-style-type: none"> Ongoing three-year PRGF arrangement. So far all scheduled reviews have been completed and disbursements made. The fourth review under the PRGF arrangement was completed on February 23, 2004. Given the likely timing of the completion of the fourth review, the authorities requested that the fifth review be rephased from end-December 2003 to end-March 2004 quantitative performance criteria and on structural performance criteria through end-May 2004. The fifth review was completed on November 12, 2004 enabling the release of an amount equivalent to SDR 14 million, which would bring the total amount drawn under the arrangement to SDR 116.8 million. In completing the review, the Board waived the nonobservance of an end-March quantitative performance criterion and two structural performance criteria and approved an extension of the arrangement for a three-month period until June 25, 2005. |

Source: IMF, FIN Department and Fund documents.

Table 3. Sierra Leone: Performance Under the PRGF, 2001–2004 (concluded)

| | 2001 | | 2002 | | PRGF 2003 | | 2004 | |
|---|---------|---------|---------|---------|--------------|---------|---------|---------|
| | O.P.12/ | Act. | O.P.12/ | R.P.13/ | O.P.12/ | R.P.13/ | O.P.12/ | R.P.13/ |
| National income and prices | | | | | | | | |
| Real GDP | 5.0 | 17.9 | 6.0 | 6.6 | 27.5 | 6.5 | 9.3 | 7.4 |
| Real GDP per capita | 8.0 | 2.0 | 5.0 | 4.6 | 3.7 | 5.0 | 6.4 | 14.4 |
| GDP deflator | 8.0 | 2.6 | 5.0 | 4.7 | -3.7 | 5.0 | 8.2 | 14.2 |
| Consumer prices (period average) | | | | | | | | |
| Money and credit | | | | | | | | |
| Broad money | 14.4 | 33.7 | 10.2 | 17.2 | 30.1 | 14.0 | 23.9 | 13.8 |
| Broad money (including foreign currency deposits) | 15.2 | 30.8 | 10.6 | 9.5 | 32.0 | 16.5 | 22.9 | 10.8 |
| (excluding foreign currency deposits) | 7.0 | 6.1 | 6.1 | 6.2 | 6.1 | 5.9 | 5.8 | 5.0 |
| Velocity (level; including foreign currency deposits) | 6.1 | 5.5 | 8.1 | 6.1 | 7.2 | 8.4 | 7.2 | 5.3 |
| Velocity (level; excluding foreign currency deposits) | 1.9 | 2.5 | 8.8 | 8.9 | 7.2 | 8.8 | 4.0 | 4.2 |
| Domestic credit in real terms (contributions) 11/ | 9.5 | 19.4 | 7.0 | 4.8 | 0.2 | 0.0 | 19.5 | -2.0 |
| Government 11/ | 1.7 | 3.2 | 1.8 | 3.3 | 7.5 | 3.0 | 20.1 | 8.4 |
| Private sector 11/ | -4.5 | 12.9 | -23.8 | ... | -30.2 | -17.0 | 39.4 | -16.3 |
| Net foreign assets of banking system | 22.2 | 29.4 | 13.8 | 20.7 | 24.9 | 10.5 | 22.4 | 11.6 |
| Reserve money | | | | | | | | |
| External sector | | | | | | | | |
| Exports (in U.S. dollars) | 9.5 | 6.1 | 27.6 | 11.8 | 48.9 | 33.4 | 27.4 | 26.2 |
| Imports (in U.S. dollars) | 49.3 | 20.6 | 37.4 | 36.4 | 54.4 | -8.0 | 15.6 | 22.7 |
| Terms of trade ('-' = deterioration) | 0.9 | 14.7 | 1.8 | 0.5 | 0.0 | 1.8 | -0.1 | -2.0 |
| | | | | | | | | |
| Financial balances 8/ | | | | | | | | |
| Gross domestic investments | 20.0 | 7.6 | 29.0 | 9.0 | 10.1 | 21.0 | 14.3 | 20.0 |
| Government | 15.0 | 4.8 | 15.6 | 13.1 | 4.4 | 14.4 | 12.6 | 4.9 |
| Private sector | 5.0 | 2.8 | 13.4 | 4.1 | 5.7 | 6.6 | 7.2 | 8.8 |
| Gross national saving | 8.9 | -9.9 | 12.2 | 0.2 | 8.3 | 10.1 | 4.6 | 6.7 |
| Gross domestic saving | -11.0 | -11.0 | -11.0 | -11.0 | -11.0 | -11.0 | -11.0 | -11.0 |
| Government 11/ | -4.0 | -3.2 | -3.1 | -6.4 | -4.3 | -2.2 | -4.4 | -1.2 |
| Private sector | 0.0 | -6.8 | 1.3 | -2.3 | -5.1 | 2.1 | -6.6 | 7.5 |
| External current account balance (including official transfers) | -11.1 | -17.4 | -16.8 | -17.0 | -4.8 | -10.9 | -7.6 | -4.6 |
| External current account balance (excluding official transfers) | -25.8 | -22.0 | -32.9 | -27.4 | -12.1 | -23.9 | -33.6 | -11.4 |
| Goods and nonfactor services (net) | -19.6 | -19.6 | -37.9 | -25.9 | -32.0 | -32.0 | -21.3 | -24.6 |
| Unrequited private transfers and factor services (net) | -3.5 | -2.1 | -1.4 | -1.5 | 7.1 | -1.5 | -2.8 | -2.7 |
| Overall balance of payments | 1.6 | 1.7 | 1.0 | -3.4 | -0.3 | 2.6 | -4.6 | 1.5 |
| Government finances | | | | | | | | |
| Domestic revenues | 12.3 | 13.0 | 12.7 | 14.3 | 12.1 | 13.2 | 14.6 | 12.4 |
| Tax | 12.3 | 13.0 | 12.7 | 14.3 | 12.1 | 13.2 | 14.6 | 12.4 |
| Nontax | ... | ... | ... | ... | ... | ... | ... | ... |
| Total expenditure and net lending | 40.5 | 29.5 | 38.7 | 40.7 | 28.6 | 34.3 | 39.9 | 32.5 |
| Of which: current expenditure | 25.1 | 24.8 | 23.0 | 27.5 | 24.2 | 19.9 | 27.2 | 22.1 |
| Overall fiscal balance | -28.2 | -16.5 | -26.4 | -26.3 | -16.5 | -21.1 | -25.3 | -14.5 |
| (commitment basis, excluding grants) | -13.8 | -10.6 | -10.3 | -16.1 | -8.3 | -8.1 | -9.4 | -6.1 |
| Domestic primary balance | -4.1 | -7.2 | -3.0 | -2.8 | -2.8 | -2.8 | -2.8 | -2.8 |
| Domestic primary lending | 4.1 | 3.2 | 3.0 | 2.2 | 0.9 | 0.0 | 2.2 | 4.3 |
| Foreign financing | 11.8 | 39.0 | 11.9 | 12.4 | 7.3 | 9.1 | 9.0 | 6.9 |
| | | | | | | | | |
| Debt service due (after debt relief) | ... | 73.0 | ... | 16.6 | 9.3 | ... | 7.3 | ... |
| Debt service due (before debt relief) | 51.9 | ... | 55.2 | 55.1 | ... | 52.0 | 48.1 | 33.7 |
| Net present value of debt-to-exports ratio 10/ | ... | 150.6 | ... | ... | 162.3 | ... | 146.1 | 153.6 |
| | | | | | | | | |
| Memorandum items: | | | | | | | | |
| External current account balance (excluding official transfers) | -192.9 | -165.0 | -265.0 | -218.7 | -113.6 | -210.3 | -294.1 | -139.7 |
| Gross international reserves | 57.6 | 51.8 | 69.0 | 75.6 | 84.6 | 79.0 | 87.0 | 59.4 |
| Public debt (in percent of GDP) | 1.6 | 1.9 | 2.0 | 2.0 | 82.2 | 2.2 | 82.4 | 2.3 |
| Of which: foreign debt | 32.0 | 32.0 | 32.0 | 37.5 | 37.5 | 41.2 | 41.2 | 41.2 |
| GDP at current market prices (billions of leones) | 1,507.9 | 1,600.2 | 1,658.7 | 1,658.7 | 1,965.5 | 1,852.5 | 1,863.0 | 2,085.0 |
| | | | | | | | | |
| Sources: Sierra Leonean authorities, and staff estimates and projections. | | | | | | | | |
| 1/ ESAF/SAF were approved in parallel on March 28, 1994. | | | | | | | | |
| 2/ Ratios are presented in calendar year in 1996. | | | | | | | | |
| 3/ Ratios as percent of GDP reflect total and domestic product data. | | | | | | | | |
| 4/ Assumes unconditional delivery of enhanced HIPC assistance in 2000. | | | | | | | | |
| 5/ Changes as a percentage of beginning-of-period broad money stock. | | | | | | | | |
| 6/ O.P. = Original Program. | | | | | | | | |
| 7/ R.P. = Revised Program. | | | | | | | | |

8/ Fiscal year end in June (changes to calendar year in 1996).
9/ Ratios are presented in calendar year in 1996.
10/ Assumes unconditional delivery of enhanced HIPC assistance in 2000.
11/ Changes as a percentage of beginning-of-period broad money stock.
12/ O.P. = Original Program.
13/ R.P. = Revised Program.

Table 4. Sierra Leone: Compliance with Quantitative Program Targets Under the SAF/ESAF Arrangements, 1994-97 1/ 2/

| | 1994 | | | 1995 | | | 1996 | | | 1997 | |
|--|-------------|------------|------------|------------|-------------|-------------|------------|------------|------------|-------------|-------------|
| | Mar. IND | Jun. BM | Sep. PC | Dec. BM | Mar. IND | Jun. IND | Dec. BM | Mar. PC | Jun. BM | Sep. IND | Dec. IND |
| Net domestic assets of BSL (NDA) | M | M | M | NM | NM | NM | M | M | M | M | M |
| Net domestic financing of the budget deficit (NDF) | NM | NM | M | NM | NM | NM | NM | W | NM | NM | NM |
| Maximum level of domestic arrears of the government | M | M | M | M | M | M | M | M | NM | NM | M |
| Net international reserves of BSL | M | M | M | M | M | NM | M | M | M | M | M |
| New external loan commitments (1-12 years' maturity) | M | M | M | M | M | M | M | M | M | M | M |
| Stock of external short-term debt | M | M | M | M | M | M | M | M | M | M | M |
| Minimum reduction in external payments arrears | M | M | M | M | M | M | M | M | NM | NM | NM |

No reviews were completed

1/ IND=indicative, BM=benchmark, and PC=performance criteria
 2/ M=met, NM=not met, W=waiver was granted, and NR=not relevant.

Table 4. Sierra Leone: Emergency Post-Conflict Assistance, 1998–2000 1/ 2/ (continued)

| | 1998 | 1999 | 2000 | | | | | |
|---|--------------------------|------------|------------|-------------|-------------|--------------------------|--|--|
| | Dec. BM | Dec. BM | Mar. BM | Jun. IND | Sep. IND | Dec. IND | | |
| A. Performance benchmarks | | | | | | | | |
| Net domestic bank credit to the central government | Review was not completed | NM | M | M | NM | Review was not completed | | |
| Net domestic assets of BSL | | NM | M | M | M | | | |
| Domestic primary balance of the central government | | M | M | M | M | | | |
| Domestic payments arrears of the central government | | NM | NM | NM | M | | | |
| Gross foreign reserves of BSL | | M | M | M | M | | | |
| New nonconcessional external loans contracted or guaranteed by the government (maturity of one year or more) | | M | M | M | M | | | |
| New external loans (maturity of less than one year) | | M | M | M | M | | | |
| B. Financial indicators | | | | | | | | |
| Total domestic government revenue | | M | M | M | M | | | |
| Government wage bill | | M | M | NM | M | | | |

1/ IND=indicative, BM=benchmark, and PC=performance criteria

2/ M=met, NM=not met, W=waiver was granted, and NR=not relevant.

Table 4. Sierra Leone: Compliance with Quantitative Program Targets Under the PRGF Arrangements, 2001–04 1/ 2/ (concluded)

| | 2001 | | | 2002 | | | 2003 | | | 2004 | | |
|--|------------|------------|------------|------------|-------------|------------|------------|-------------|------------|-------------|-------------|----|
| | Jun. BM | Sep. PC | Dec. PC | Mar. PC | Jun. IND | Sep. PC | Dec. PC | Mar. IND | Jun. PC | Sep. IND | Dec. IND | PC |
| A. Performance benchmarks | | | | | | | | | | | | |
| Net domestic bank credit to the central government | M | W | M | M | M | W | M | NM | W | NM | NM | M |
| Net domestic assets of BSL | M | M | M | M | M | M | M | M | M | M | NM | M |
| Domestic primary balance of the central government | NM | M | M | M | NM | W | M | NM | W | NM | NM | M |
| Domestic payments arrears of the central government | M | M | M | M | M | M | M | NR | NR | NR | NR | NR |
| Gross foreign reserves of BSL | M | M | W | M | M | M | M | M | M | M | M | M |
| New nonconcessional external loans contracted or guaranteed by the government (maturity of one year or more) | M | M | M | M | M | M | M | M | M | M | M | M |
| New external loans (maturity of less than one year) | M | M | M | M | M | M | M | M | M | M | M | M |
| External payments arrears | M | M | M | M | M | M | M | M | M | M | M | M |
| B. Indicative targets | | | | | | | | | | | | |
| Total domestic government revenue | M | M | M | M | M | NM | M | NM | M | M | M | M |
| Government wage bill | NM | NM | NM | NM | NM | M | NM | M | M | NM | NM | NM |
| Domestic payments arrears of the central government | NR | NR | NR | NR | NR | NR | NR | M | M | NR | M | NR |
| Poverty-related expenditures | NR | NR | NR | NR | NR | NR | NR | NR | NR | NR | M | NR |

1/ IND=indicative, BM=benchmark, and PC=performance criteria.
 2/ M=met, NM=not met, W=waiver was granted, and NR=not relevant.

Table 5. Sierra Leone: Growth in the Region and in Other Post-Conflict Countries, 1984–2004

| | Sierra Leone | Guinea | Guinea-Bissau | The Gambia | Mali | Côte D'Ivoire | Burkina Faso | Rwanda | Republic of Congo | Sub-Saharan Africa |
|--|--------------|--------|---------------|------------|-------|---------------|--------------|--------|-------------------|--------------------|
| During 1984–1993 | | | | | | | | | | |
| Average real GDP growth (in percent) | -1.1 | 3.8 | 3.2 | 2.6 | 4.3 | 0.9 | 5.2 | 1.2 | 5.8 | 1.8 |
| Standard deviation of real GDP growth | 5.0 | 1.4 | 2.2 | 3.9 | 7.0 | 2.2 | 4.7 | 6.4 | 8.4 | 1.6 |
| Average GDP per capita growth (in percent) | -3.2 | 0.2 | 1.1 | -1.6 | 1.3 | -2.6 | 2.8 | -1.5 | 2.2 | -1.1 |
| Per capita GDP (in U.S. dollars) 1/ | 213.4 | 449.1 | 263.1 | 320.5 | 316.8 | 944.7 | 336.3 | 384.1 | 1117.0 | 606.6 |
| During 1994–2004 | | | | | | | | | | |
| Average real GDP growth (in percent) | 0.7 | 3.8 | 0.1 | 4.2 | 4.9 | 2.2 | 5.8 | 5.2 | 2.3 | 3.5 |
| Standard deviation of real GDP growth | 15.3 | 1.3 | 10.0 | 3.8 | 3.9 | 3.7 | 2.5 | 20.4 | 4.0 | 1.0 |
| Average GDP per capita growth (in percent) | -1.3 | 0.9 | -2.1 | 1.0 | 2.3 | -1.0 | 3.3 | 1.5 | -0.4 | 0.6 |
| Per capita GDP (in U.S. dollars) 1/ | 117.6 | 470.6 | 244.3 | 323.2 | 366.2 | 821.1 | 461.8 | 304.2 | 1116.4 | 577.9 |
| Memorandum items | | | | | | | | | | |
| Private investment (in percent of GDP) | | | | | | | | | | |
| During 1984–1993 2/ | 5.8 | 10.7 | 8.8 | 12.3 | 19.3 | 3.6 | 13.2 | 7.5 | 17.0 | 13.4 |
| During 1994–2004 | 2.4 | 13.1 | 4.3 | 13.4 | 15.7 | 8.3 | 12.2 | 9.4 | 22.1 | 12.9 |

Sources: *World Economic Outlook*; and other IMF databases.

1/ In U.S. dollars at 1990 prices and exchange rates.

2/ Aggregated private investment data on sub-Saharan Africa not available for 1984–87.

Table 6. Sierra Leone: Program Conditions Versus Other Similar Arrangements

| | Number of Structural Conditions | | | | |
|---|---------------------------------|-------------------------|------------------|-----------------------------|------------------|
| | Structural Benchmarks | Performance Criteria | Prior Actions 1/ | Total Structural Conditions | |
| | 3-year total | 3-year total | 3-year total | 3-year total | Average per year |
| Sierra Leone SAF/ESAF program, 1994–98 | 21 | 18 | 0 | 39 | 13.0 |
| Average for all SAF/ESAF programs | 24 | 9 | 12 | 45 | 15.0 |
| Emergency Post-Conflict Assistance, 1999–2000 | 24 | 0 | 0 | 24 | 8.0 |
| Sierra Leone PRGF program, 2001–03 | 33 | 34 | 15 | 82 | 27.3 |
| Average for all PRGF programs | 18 | 9 | 3 | 30 | 10.0 |

Source: Fund documents.

1/ Including prior actions at start of program.

Structural Reforms: Program Performance Relative to Objectives

Public sector

56. **The envisaged tax policy and administration reforms were mostly implemented, although the conflict contributed to delays and less success than expected in revenue mobilization.** As intended under the programs, the direct and indirect tax systems were simplified, tax bases broadened, and the share of indirect taxes in total revenue increased relative to direct taxes and tariffs. To overhaul tax administration, independent revenue authorities for inland revenue and customs were established in 1998 and 1999, respectively, and a unified revenue authority, the National Revenue Authority (NRA), set up in 2001. The implementation of some tax policy and administration reforms was, however, delayed by the conflict and the revenue impact was smaller than expected.²¹ The severe hostilities in 1997, in particular, caused a breakdown of tax administration and a slump in revenue collection.

57. **Public expenditure management objectives have been met with greater success under the PRGF than previously, while the reform agenda has at the same time been broadened and diversified.** The ESAF and EPCA included only a limited number of expenditure management reforms, which were largely not implemented owing to conflict-related disruptions. Expenditure reforms have gained in importance under the PRGF and been supported by technical assistance from the EU, DfID, and the Fund. Key achievements during 2001–04 included the introduction of a computerized expenditure monitoring and control system (originally intended under the ESAF), a medium-term expenditure framework (MTEF), and a system to track pro-poor spending.²²

58. **Expenditure policy objectives were generally not met, in part due to the conflict, but reforms have been stepped up under the PRGF.** Reorienting public spending toward growth-enhancing investment and social spending was a constant objective of Fund programs, but progress was limited until the most recent period. After stagnating at relatively low levels, the share of nonmilitary and social spending has risen to 90 percent in recent years. In addition, the wage bill exceeded targeted levels throughout the review period,

²¹ For example, a reduction in maximum personal and corporate income tax rates and the inclusion of fringe benefits in the tax base were intended for 1995 but were delayed until the late 1990s. The introduction of a VAT was considered under the ESAF program, but has not been accomplished in part because of conflict-related disruptions, shifts in reform priorities, and because it may have been premature given the fragile economic environment. On tax administration, the revenue authorities became fully operational later than expected, and aspects of the NRA and customs information system remain to be resolved.

²² Also, departments' own accounts have generally been closed and all own revenues are now paid into the treasury account.

although they became smaller in size during 2001–2003. In part, the persistence of the large wage bill owes to limited progress with civil service reform.

59. **Program objectives with regard to building fiscal institutions were generally met.** The programs appropriately included reforms, supported by technical assistance, to strengthen existing institutions and to rebuild fiscal institutions damaged by the conflict. The EPCA, in particular, included measures to rebuild the Ministry of Finance, Development, and Economic Planning and restore basic fiscal functions, including budget formulation, fiscal accounting and reporting, and public investment management, as well as tax administration.

External sector

60. **The trade and exchange regimes were steadily liberalized as envisaged.** Because trade had already been largely liberalized under the rights program, no major trade reforms were sought under the ESAF. Under the EPCA and PRGF, trade reforms sought to further reduce and rationalize tariffs and to cut nontariff barriers. The cumulative impact of these reforms has allowed Sierra Leone to enjoy relatively low trade restrictiveness. Exchange restrictions were progressively removed over the course of the review period. Sierra Leone accepted the Fund's Article VIII provisions in December 1995. The flexible exchange rate regime that was already in place at the time of the ESAF was maintained, and foreign exchange market intervention was limited to meeting the Fund's program NIR targets. An auction system was introduced under the PRGF as a means of passing on donor funds to the private sector and to address concerns about multiple exchange rates, which were prevalent during the ESAF and EPCA years but were gradually eliminated under the PRGF.

61. **Progress was made as envisioned in normalizing relations with external creditors.** Fund programs allowed for substantial arrears clearance vis-à-vis external creditors. Outstanding arrears and upcoming debt service payments were addressed through several rounds of Paris Club rescheduling. Debt and aid management were improved through technical assistance, although progress was reversed in the mid-1990s and 2002 when institutional resources were destroyed by conflict.

62. **Sierra Leone received substantial external financing during 1994–2004, but it was volatile and grants frequently fell short of program projections.** Aggregate overseas development assistance (ODA) to Sierra Leone during the decade was equivalent to 25 percent of GDP, or about five times the average level in sub-Saharan Africa, and ODA per capita was US\$42, or double the African average. External assistance in the form of grants, loans, and debt relief averaged US\$225 million annually, although it fluctuated in the wide range of US\$100–400 million. Grants were consistently overprojected in the EPCA and

PRGF programs.²³ The shortfalls have been on the order of 3-4 percentage points of GDP and have mainly owed to delays in program implementation.

63. **The objectives of diversifying exports, increasing trade through official channels, and attracting foreign investment were largely unfulfilled.** Export diversification and the expansion of official trade were hampered by the fragile security situation, with informal operators easily able to smuggle gold and diamonds out of the country. Sierra Leone remained dependent on mineral exports and did not take advantage of preferential arrangements such as the U.S. African Growth and Opportunity Act (AGOA) and EU Everything But Arms Initiative that have benefited some African countries. Foreign investment in the mining sector, and the associated exports, collapsed after the rebel attacks on rutile and bauxite mines in the mid-1990s and fell short of (optimistic) program projections in subsequent years. Some progress has, however, been made under the PRGF in increasing nontraditional exports, recorded diamond exports, and foreign investment.²⁴

Financial sector

64. **The intended financial sector reforms included a number of measures to foster financial intermediation and strengthen the financial sector.** They envisaged a deregulation of interest rates and the maintenance of positive real interest rates in order to foster financial intermediation, a reform of the regulatory framework and restructuring of commercial banks to expand term financing, and improvements in bank regulation and supervision by the central bank to strengthen the financial system. The objectives have been largely unmet, although progress has picked up during the PRGF period. Although interest rates were deregulated, a few banks were restructured, and real interest rates were kept positive while the level of financial intermediation has remained low, owing to continued high lending rates and a weak environment for private sector activity. The central bank's progress regarding rules promulgation has been very slow, although the passage of the 2000 banking act and its implementation during the PRGF period are signs of recent progress.

²³ ESAF projections were roughly on target, perhaps reflecting the low level of grants at the time.

²⁴ During 2001–2004, nontraditional exports rose from US\$3 million to US\$20 million, recorded diamond exports rose five-fold (although they accounted for only an estimated 60 percent of total diamond exports), and FDI rose from negligible levels to US\$30 million.

Table 1. Sierra Leone: Compliance with Structural Program Conditions Under the ESAF, EPCA, and PRGF Arrangements

| Program | Condition | Type 1/ | Status 2/ |
|---|--|---------|-----------|
| The First Annual ESAF Arrangement (March 1994–June 1995) | | | |
| | Adjust retail petroleum prices to ensure full pass-through of any changes in the exchange rate and oil import price (continuous). End-September 1994 | PC | NM/W |
| | Achieve cumulative target for retrenchment of government employees from the level as of July 1, 1991. By 30,000 at end-September 1994 | PC | M |
| | By 32,500 at end-December 1994 | IB | NM |
| | By 35,000 at end-March 1995 | IB | NM |
| | Maintain positive real interest rates on treasury bills. End-June 1994 | IB | M |
| | End-September 1994 | IB | M |
| | End-December 1994 | IB | M |
| | End-March 1995 | IB | M |
| | End-June 1995 | IB | M |
| The Second Annual ESAF Arrangement (December 1995–December 1996) | | | |
| | Adjust retail petroleum prices to ensure full pass-through of any changes in the exchange rate and oil import price (continuous). End-March 1995 | PC | NM/W |
| | Decontrol retail petroleum prices by end-July 1996. | IB | NM |
| | Achieve cumulative target for retrenchment of government employees from the level as of May 31, 1995. By 10,000 at end-December 1995 3/ | BM | ... |
| | By 12,500 at end-March 1996 3/ | PC | ... |
| | By 15,000 at end-June 1996 3/ | BM | ... |
| | By 17,500 at end-September 1996 3/ | IB | ... |
| | By 20,000 at end-December 1996 3/ | IB | ... |
| | Observe limits on government wages and salaries, excluding the rice supplement (cumulative from July 1, 1995; in millions of leones). 11,850 at end-December 1995 | BM | NM |
| | 18,903 at end-March 1996 | PC | NM |
| | 25,957 at end-June 1996 | IB | NM |
| | 32,251 at end-September 1996 4/ | IB | NM |
| | 39,233 at end-December 1996 5/ | IB | M |
| The Third Annual ESAF Arrangement January 1997–December 1997) | | | |
| | Adjust retail petroleum prices to ensure full pass-through of any changes in the exchange rate and oil import price (continuous). | BM | NC |
| | Decontrol retail petroleum prices by end-July 1997. | PC | NC |
| | Observe limits on government wages and salaries, excluding the rice supplement (cumulative from January 1, 1997; in millions of leones). 8,160 at end-March 1997 | BM | NC |
| | 17,414 at end-June 1997 | PC | NC |
| | 26,668 at end-September 1997 | IB | NC |
| | 36,225 at end-December 1997 | IB | NC |
| | Complete and verify nationwide teachers' census by end-June 1997. | IB | NC |

Table 1. Sierra Leone: Compliance with Structural Program Conditions Under the ESAF, EPCA, and PRGF Arrangements (continued)

| Program | Condition | Type 1/ | Status 2/ |
|--|---|---------|-----------|
| Emergency Post-Conflict Assistance (EPCA) | | | |
| 1998 | Introduction of transitional arrangements for oil importation. | BM | NC |
| | Transfer of oil import operations to oil companies. | BM | NC |
| | Full liberalization of petroleum pricing. | BM | NC |
| | Provision by mid-month of data on retail prices of petroleum products for Freetown as of end of previous month, and average landed costs of petroleum products received during the previous month (continuous). | BM | NC |
| | Compilation and publication of monthly trade data. | BM | NC |
| | Issuance of a monthly statistical abstract. | BM | NC |
| | Provision of income and expenditure and balance sheets of public enterprises on a quarterly basis. | BM | NC |
| | Formulation of a program to guide the management of public enterprises, and presentation to parliament of legislation. | BM | NC |
| | Establishment of a new autonomous body responsible for the divesture program, with full legal powers to dispose of government property. | BM | NC |
| | Review of civil service establishment including pensions against monthly payroll to determine "ghosts." | BM | NC |
| | Inventory of all domestic arrears that are considered legitimate obligations of government. | BM | NC |
| | Rationalization of the indirect tax system and harmonization of the tariff system. | BM | NC |
| | Introduction in parliament of an amendment to the income tax legislation intended to reduce income taxes, improve capital allowances and investment incentives, and tax nonincome benefits of employees. | BM | NC |
| 1999–2000 | Implementation of a new method of calculating the official exchange rate at the Bank of Sierra Leone. | BM | M |
| | Reactivation of the Net Domestic Financing Committee. | BM | M |
| | Reaching of an agreement with public enterprises, including on timetables for the settlement of cross debts, to regularize financial relations with the government and public enterprises. | BM | PM |
| | Completion of a study on tax and duty exemptions. | BM | PM |
| | Completion of a new Banking Act by parliament. | BM | M |
| | Provision of income and expenditure and balance sheets of public enterprises on a quarterly basis. | BM | PM |
| | Passage by parliament of the budget for 2000. | BM | M |
| | Introduction of foreign exchange auctions at the Bank of Sierra Leone. | BM | M |

Table 1. Sierra Leone: Compliance with Structural Program Conditions Under the ESAF, EPCA, and PRGF Arrangements (continued)

| Program | Condition | Type 1/ | Status 2/ |
|---|--|---------|-----------|
| | Passage by parliament of a new Income Tax Act. | BM | M |
| | Completion of the verification of pensioners. | BM | PM |
| | Adoption of a plan of action and targets for civil service reform. | BM | NM |
| | Rationalization of the indirect tax system and harmonization of the tariff system. | BM | PM |
| Poverty Reduction and Growth Facility (PRGF) | | | |
| First review of the PRGF | | | |
| | Approval by parliament of a supplementary budget for 2001 reflecting the agreed fiscal targets and policies. | PA | M |
| | The issuance by the Bank of Sierra Leone of appropriate regulations and guidelines, under the new Banking Act. | PA | M |
| | The abolition of the restriction under Article VIII, section 2(a) of the Fund's Articles of Agreement, in the form of the requirement of a tax clearance certificate for payments and transfers of certain international transactions. | PA | M |
| | The abolition of the licensing requirement for the importation of cigarettes. | PA | M |
| | Passage of the new Financial Institutions Bill in parliament by end-September 2001. | PC | M |
| | Passage of the bill setting up the autonomous Central Statistical Office by end-September 2001. | BM | NM |
| | Make regular settlement of cross debts between public enterprises and the government according to the timetable agreed between the two parties (continuous). | BM | Ongoing |
| | The nonaccumulation of arrears in regard to the electricity and water bills from the National Power Authority and Guma Valley Water Company (continuous). | BM | NM |
| Second review of the PRGF | | | |
| | Passage of the bill setting up the autonomous Central Statistical Office. | PA | M |
| | Pass enabling legislation of the National Revenue Authority (NRA). 6/ | PA | M |
| | Government will elaborate measures to control the teachers' payroll within the limits of the budget. 6/ | PA | M |
| | Initiate the Rapid School Audit that will verify the number and type, location, and salary of all teachers on the government's payroll. | PA | M |
| | Clear all arrears accrued during 2001–02 to the National Power Authority and the Guma Valley Water Company. | PA | M |
| | Pass legislation relating to the draft Privatization Act. | PA | M |
| | Reconcile the gross foreign exchange reserves and net domestic assets data of the BSL for end-December 2001. | PA | M |

Table 1. Sierra Leone: Compliance with Structural Program Conditions Under the ESAF, EPCA, and PRGF Arrangements (continued)

| Program | Condition | Type 1/ | Status 2/ |
|---------|--|---------|-----------|
| | Appoint the board of the NRA. | BM | NM |
| | Develop staff transition policy for divisions of NRA. | BM | Ongoing |
| | Appoint Chief Executive Officers of Income Tax and Customs Divisions of NRA. | BM | NM |
| | The nonaccumulation of arrears in regard to the electricity and water bills from the National Power Authority and Guma Valley Water Company (continuous). | BM | NM |
| | BSL to finalize strategic plan for the banking supervision reforms. | BM | M |
| | BSL to prepare draft regulations on liquidity, large credits, and requirement for audit. | BM | M |
| | BSL to prepare draft CAMELS rating system. | BM | M |
| | BSL to evaluate check-based payment system and develop proposals to improve its efficiency. | BM | M |
| | Third review of the PRGF | | |
| | The clearance of expenditures by the Office of the President is no longer required. | PA | M |
| | All departmental bank accounts except those required for donor-funded projects or programs have been closed and all balances transferred to the treasury main account. | PA | M |
| | BSL to develop computer program for conducting treasury securities market. | BM | M |
| | BSL to develop an action plan for introduction of securities repurchase (repo) instruments. | BM | NM |
| | Appoint the board of the NRA and the Commissioner-General. | BM | M |
| | Engage a head of the Internal Audit Department of the BSL, and strengthen audit staff's professional and technical capacity. | BM | M |
| | Appoint Chief Executive Officers of Income Tax and Customs Divisions of NRA. 7/ | BM | M |
| | Complete the mining sector study. | BM | M |
| | Prepare amendments to the Income Tax, Sales Tax, and Customs Act to ensure consistency with the NRA. | BM | NM |
| | Fourth review of the PRGF | | |
| | Financial audit of the Ministry of Education has been completed. 6/ | PA | M |
| | Payroll photo verification has been completed for all existing teachers, who have letters of appointment. 8/ | PA | M |
| | Identification cards have been issued by Ministry of Finance for at least 80 percent of all verified teachers. 9/ | PA | M |
| | The photo verification system for civil servants and teachers in the Establishment Secretary's Office (ESO) is operational and adequately staffed. | BM | NM |

Table 1. Sierra Leone: Compliance with Structural Program Conditions Under the ESAF, EPCA, and PRGF Arrangements (continued)

| Program | Condition | Type 1/ | Status 2/ |
|---------|---|---------|-----------|
| | The ESO database of civil servants and teachers is updated monthly and used to update the payroll database of the Accountant General's Office (continuous). | BM | Ongoing. |
| | The Financial Secretary approves all new teachers before they are added to the payroll (continuous). | BM | M |
| | Payment of teachers' salaries through the banking system has started. | BM | PM |
| | Fifth review of the PRGF | | |
| | New personnel management regulations for the civil service have been introduced. 8/ | PA | M |
| | Guidelines have been issued by the Ministry of Finance requiring double signature in operating school bank accounts. | PC | M |
| | Identification cards have been issued by Ministry of Finance for the remaining 20 percent of verified teachers. | PC | M |
| | The reconciliation of fiscal and monetary data has been completed for 2000–03. | PC | W |
| | Specific measures have been elaborated to strengthen the Office of the Auditor General, including the use of private accounting firms to expedite audits. | BM | PM |
| | The photo verification system for civil servants and teachers in the Establishment Secretary's Office (ESO) is operational and adequately staffed. 10/ | BM | M |
| | Employment ceilings for individual schools have been established and published in the government gazette. | BM | M |
| | Terms and conditions for securitization of all remaining verified domestic arrears have been announced publicly. | BM | NM |
| | Project has been launched to convert ESO into a personnel management office. | BM | NM |
| | Legislation relating to customs and inland revenue has been revised to ensure consistency with provisions under the NRA Act. | BM | NM |
| | Diagnostic studies and reforms have been completed in six key ministries to rationalize structure, functions, and staffing in these ministries. | BM | PM |
| | A medium-term budgetary framework incorporating all major mineral revenues has been formulated and discussed with development partners. | BM | NM |
| | Identification cards have been issued for all civil servants. | BM | NM |
| | Formulate an action plan to implement recommendations of the financial audit of the Ministry of Education. | BM | M |
| | Sixth review of the PRGF | | |
| | The reconciliation of fiscal and monetary data has been completed for 2000–02. 11/ | PC | NM |
| | A limited reconciliation of fiscal and monetary data for 2001–04 has been completed. | PA | M |
| | Terms and conditions for securitization of all remaining verified domestic arrears have been announced publicly. 11/ | PA | M |

Table 1. Sierra Leone: Compliance with Structural Program Conditions Under the ESAF, EPCA, and PRGF Arrangements (concluded)

| Program | Condition | Type 1/ | Status 2/ |
|---------|---|---------|-----------|
| | Specific measures have been elaborated to strengthen the Office of the Auditor General, including the use of private accounting firms to expedite audits. 11/ | BM | PM |
| | All urban and suburban schools, except mission-operated primary schools, have opened individual bank accounts for the payment of teachers salaries. | PA | M |
| | Diagnostic studies and reforms have been completed in six key ministries to rationalize structure, functions, and staffing in these ministries. 11/ | BM | PM |
| | A medium-term budgetary framework incorporating all major mineral revenues has been formulated and discussed with development partners. 11/ | BM | NM |
| | Identification cards have been issued for all civil servants. 11/ | PA | M |
| | Project has been launched to convert ESO into a personnel management office. 11/ | BM | NM |
| | The Budgeting and Accounting Act has been presented to parliament. | BM | M |

1/ PA = prior action; PC = performance criterion; BI = indicative benchmark; and BM = benchmark.

2/ M = met; NM = not met; PM = partially met; and W = waiver. NC = review was never completed, and "... = no information available or status could not be established (e.g., because of security concerns).

3/ Status of the measure could not be verified by the staff.

4/ Original benchmark was Le 33,899 million.

5/ Original benchmark was Le 41,841 million.

6/ The measure was elevated from benchmark to prior action.

7/ Deadline to meet the commitment was extended from the second to the third review.

8/ The measure was elevated from performance criterion to prior action.

9/ The measure was elevated from performance criterion to prior action, and modified slightly.

10/ Deadline to meet the commitment was extended from the fourth to the fifth review.

11/ Deadline to meet the commitment was extended from the fifth to the sixth review.