



HIGH-LEVEL SUMMARY TECHNICAL ASSISTANCE REPORT

SIERRA LEONE

Operationalizing the Crisis Management
Framework for Banks

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Prepared By

Jaime Ponce, Peter Mugisa

PARTNERS

Financial Sector Stability Fund

High-Level Summary Technical Assistance Report
Monetary and Capital Markets Department

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The *High-Level Summary Technical Assistance Report* series provides high-level summaries of the assistance provided to IMF capacity development recipients, describing the high-level objectives, findings, and recommendations.

ABSTRACT: This report provides technical assistance to Sierra Leone in operationalizing its crisis management framework for banks, following the adoption of a legal framework for bank resolution and liquidation in 2019. Bank of Sierra Leone (BSL), the designated Resolution Authority, faces significant institutional capacity obstacles, primarily due to understaffing and lack of expertise. Recommendations focus on staffing and training a specialized resolution unit, merging it with the depositor protection unit, and enhancing operational preparedness through pre-engaging external experts and developing internal guidelines and procedures. The report includes a detailed Work Plan for 2025-2026.

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The contents of this document constitute a high-level summary of technical advice provided by the staff of the International Monetary Fund (IMF) to the authorities of Sierra Leone in response to their request for capacity development. Unless the CD recipient specifically objects within 30 business days of its transmittal, the IMF will publish this high-level summary on IMF.org (see [Staff Operational Guidance on the Dissemination of Capacity Development Information](#)).

International Monetary Fund, IMF Publications
P.O. Box 92780, Washington, DC 20090, U.S.A.
T. +(1) 202.623.7430 • F. +(1) 202.623.7201
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Background

At the request of the Bank of Sierra Leone (BSL), a Monetary and Capital Markets (MCM) Department mission visited Freetown, Sierra Leone from December 6 to 16, to assist the authorities in the operationalization of the crisis management framework for banks. The mission implemented some of the Technical Assistance (TA) activities suggested by the Sierra Leone Financial Sector Stability Review (FSSR) conducted in 2021.

The mission involved high-level meetings with BSL officials, tailored training sessions, and working discussions with technical staff. The TA focused on establishing a resolution unit within the BSL and ensuring its operational readiness to effectively respond to banking crises. This TA did not cover Emergency Liquidity Assistance (ELA) or the Deposit Protection System.

Summary of Findings

Although the legal framework for bank resolution adopted in 2019 is closely aligned with international standards, the BSL faces significant institutional capacity obstacles for its implementation. Both the Supervision and Financial Stability departments, crucial for crisis management, are severely understaffed, resulting in limited progress to adopt recommendations made by the FSSR in 2021.

Given these constraints, the BSL views the resolution function as a contingent capability, to be activated by pooling staff from different departments in case of a bank crisis. In addition, the existing draft Framework on Crisis Management and Bank Resolution lacks specificity, is not adapted to Sierra Leone's legal framework, and therefore has very limited operational value.

Summary of Recommendations

To strengthen and operationalize Sierra Leone's bank crisis management framework, the mission recommended key actions in two main areas.

On the institutional front, the recommendations included (i) staffing the Crisis Management Unit and merging it with the Deposit Protection Fund Unit to enhance synergies; (ii) creating a Crisis Management Working Group to coordinate BSL's work across departments; (iii) pre-engaging external service providers, and (iv) training staff and management on crisis management.

On the preparedness front, the recommendations included (i) modifying the draft Framework on Crisis Management and Bank Resolution based on the mission's feedback; (ii) developing and operationalizing a recovery and resolution planning framework; (iii) drafting a Resolution Manual; (iv) developing an ex post resolution funding mechanism subject to strict safeguards; (v) formalizing an agreement between the Ministry of Finance and BSL to ensure the swift availability of backup funding for the Deposit Protection Fund; and (vi) enhancing bilateral cooperation channels with foreign home authorities.

The mission provided training, supporting written materials, and a detailed Work Plan outlining the steps to implement these recommendations.