International Monetary Fund

Sierra Leone and the IMF

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Sierra Leone: Letter of Intent, Memorandum of Economic and Financial Policies, and Technical Memorandum of Understanding

February 12, 2015

Letter of Intent

February 12, 2015

Madame Christine Lagarde
Managing Director
International Monetary Fund
Washington, D.C. 20431
USA

Dear Madame Lagarde:

1. The Ebola Virus Disease that hit Sierra Leone in May 2014 has spread to all 13 districts of the country. It has resulted in significant loss of life and tremendous disruptions to economic activity. At the end of January, close to 10,000 people were confirmed or suspected of having been affected by this deadly disease, and fatalities nearing 3200 people. While we have made some progress in containing the epidemic in our outer regions, there had been a significant surge in the Western area of the country, including the capital city, Freetown. Addressing the Ebola epidemic has resulted in significant balance of payments needs for 2014 and 2015, notably for increased imports of medical supplies and pharmaceuticals, food, ambulances and other Ebola-related needs. From the outset, the government took a number of measures to contain the disease, including: closure of local markets and schools nationwide; quarantine of the most affected regions, prohibition of large public gathering; setting up of check points with temperature verification on key roads and at the airport, extensive outreach activities to sensitize the population, and enhanced contact tracing. The government also carried out two lock-down exercises for the capital city with door to door verification and information dissemination. It contained non-priority spending to increase space for priority and Ebola-related expenditure. The implementation of these actions, including through the National Ebola Response Center (NERC) has benefitted from the continued support of our development partners including the International Monetary Fund (IMF) through the Ad Hoc augmentation of the Extended Credit Facility (ECF) arrangement, which has been much

appreciated. Thanks to these combined efforts, a declining trend in the transmission of the disease is beginning to emerge.

2. Limitations on movement, border closures, sharp declines in international travel and disruptions to agricultural production have impacted negatively on non-iron ore production in 2014, resulting in a growth rate of less than 1 percent. Overall GDP growth is, however, estimated at 6 percent because the iron ore sector was only marginally affected by the Ebola outbreak and iron ore companies' production was higher than expected, which more than compensated for the plunge in international iron ore prices in the second half of the year. The economic impact of the Ebola outbreak translated also into heightened inflationary pressures, depreciation of the Leone, and increased fiscal and balance of payments financing needs.

3. Notwithstanding these challenges, we maintained the momentum of policy and reform implementation. At end-June 2014, all quantitative performance criteria (PCs) were met and continuous PCs are being observed. Most structural reform measures were implemented while others were delayed because of disruptions engendered by the Ebola outbreak, notably on the delivery of needed technical assistance. We have taken steps to advance the reform agenda programmed for the second half of 2014 in the financial sector and in Public Financial Management, and have set up other structural reform benchmarks for 2015.

4. Economic prospects for 2015 are daunting. While we intend to work decisively towards achieving program objectives as explained in the attached Memorandum of Economic and Financial Policies (MEFP), the Sierra Leone economy is more vulnerable than before: the impact of the Ebola outbreak is expected to continue, at best through the end of the third quarter. At the same time, current difficulties in the iron ore sector might continue through mid-year. Under these conditions, the real GDP is projected to contract by almost 13 percent; inflation is expected to remain in the double digits; and financing needs will remain high in the fiscal and external sectors.

5. The 2015 budget aims to re-focus on priority sectors within the Poverty Reduction Strategy (*Agenda for Prosperity - AfP*) to address the socio-economic challenges resulting from the Ebola epidemic, especially in agriculture, education, water, sanitation, health sectors and Small-and-Medium-sized Enterprises' financing, while containing non-priority spending. However, the budget adopted by parliament in early December 2014 reflects weak prospects for revenue collection and limited external budget support. As a result, it anticipates a real decline in some expenditure categories, to limit the deficit at US$40 million and avoid over-borrowing from the domestic securities market.

6. The revised medium-term macroeconomic framework discussed with IMF staff shows that financing pressures will remain high in 2015. In the fiscal area, spending is expected to be higher than budgeted, mainly reflecting cautious assumptions on the containment of the Ebola epidemic and to support efficient delivery of critical public services and needed transfers to local authorities. In addition, revenue performance is likely to be weaker than anticipated in the budget because of the economic impact of a prolonged Ebola epidemic than assumed in the budget; and weak commodity prices, notably for iron ore and oil. Consequently, the Government continues to engage Sierra Leone's development partners for additional budget support that would support higher expenditure, particularly for much needed infrastructure investment.

7. Other policies will continue to be supportive of a stable macroeconomic environment. The Bank of Sierra Leone (BSL) will maintain a neutral monetary policy stance while continuing to monitor liquidity in the financial market. It will also continue to enhance banking supervision to support healthy financial intermediation and seek to limit interventions in the foreign exchange market to smoothing volatility in the exchange rate.

8. The Government intends to maintain prudent borrowing policies, particularly in the current challenging environment and uncertain medium-term prospects. Hence, domestic borrowing from Bank and nonbank financial institutions will be contained at 2 percent of non-iron GDP with financing from the BSL contained at the legal limit of 5 percent of government revenue in the previous year (2014). Given the anticipated challenges on revenue collection, increased external budget support will be essential to achieve this objective without a drastic reduction in expenditure. On external debt, the Government will continue to give priority to grants and concessional loans for investment financing, particularly for large-scale projects anticipated in the AfP; and to maintain nonconcessional borrowing at the program level.

9. The government believes that the commitments outlined in the attached MEFP are adequate to achieve program objectives. However, it stands ready to take any additional measures that may become necessary for this purpose. We will consult with the IMF on the adoption of any additional measures and in advance of revisions to policies contained in the attached MEFP, in accordance with IMF policies on such matters. Furthermore, we will provide the IMF with information in connection with progress in the implementation of policies and reforms under the

program. As in the past, and to ensure a successful implementation of our economic program, we will keep a close policy dialogue with the IMF and seek technical assistance, as necessary, from the IMF and other development partners.

10. The Government requests the completion of the second review of Sierra Leone's program supported by the ECF arrangement, and the disbursement of the third tranche in the amount of SDR 8.89 million, upon the completion of the review by the IMF Executive Board. The Government also requests an augmentation of access under the ECF arrangement in the amount of SDR 51.85 million (50 percent of quota) to help mitigate the continued adverse impact of the Ebola epidemic on Sierra Leone's economy and to support our efforts in containing the outbreak. We also request that the disbursement be immediately available following the completion of the second ECF review by the IMF Executive Board. Considering that we plan to use part of these resources to cover a portion of the fiscal financing needs, a Memorandum of Understanding will be signed between the Ministry of Finance and Economic Development and the Bank of Sierra Leone, defining our respective roles and responsibilities for servicing the financial obligations to the Fund.

11. The Government is requesting debt relief under the catastrophe containment window of the Catastrophe Containment and Relief (CCR) Trust in an amount of SDR 20.74 million (20 percent of quota). As a PRGT-eligible country with income below the IDA eligibility cutoff, Sierra Leone is eligible for access to the resources of the CCR Trust. The epidemic, which was declared a Public Health Emergency of International Concern, has severely affected the Sierra Leone economy as well as neighboring economies, causing large balance of payments and fiscal needs, resulting in an estimated cumulative decline in real non-iron ore GDP of about 34 percent, and in a cumulative loss of revenue and increase in expenditure of 10 percent of non-iron ore GDP in 2014-15. Substantial balance of payments financing gaps persist for 2015 and beyond that could be reduced by debt relief on our obligations to the Fund. We also hope that debt relief from the Fund could form the basis for additional grant-based financial support and debt relief from other creditors.

12. In line with our commitments to transparency in government operations, we authorize publication of this letter, the Memorandum of Economic and Financial Policies, as well as the

Technical Memorandum of Understanding attached to it; and the staff report, including placement of these documents on the IMF website, in accordance with IMF procedures.

Very truly yours,

________________/s/________________	________________/s/________________
Kaifala Marah	Momodu Kargbo
Minister of Finance and Economic Development	Governor of Bank of Sierra Leone

Attachments: Memorandum of Economic and Financial Policies
Technical Memorandum of Understandings

Attachment 1. Memorandum of Economic and Financial Policies

Freetown, February 12, 2015

I. INTRODUCTION

1. This Memorandum of Economic and Financial Policies (MEFP) supplements those of October 1, 2013 and June 4, 2014, and builds on policy commitments presented in the Letter of Intent (LOI) dated September 17, 2014. It reports on program performance in 2014 and presents economic and financial policies for 2015.

2. Economic activities were on a good trajectory for attainment of the projected real GDP growth for 2014, prior to the onset of the Ebola epidemic in May. Since then, the epidemic has continued, with devastating health and social impact. At the end of January, close to 10,000 people were confirmed or suspected of having been affected by this deadly disease, and fatalities nearing 3200 people. Schools remain closed to prevent high contagion, many households have lost their source of income, and food insecurity has increased. The Ebola epidemic has overwhelmed the institutional and medical infrastructure and reduced availability of health care services for other diseases. As explained below, it has contributed to the deterioration of macroeconomic indicators in the second half of the year and adversely affected economic prospects for 2015.

3. The Ebola epidemic threatens to erode the gains in human development and inclusive growth, and could reverse recent progress towards poverty reduction. Local markets have been closed, regional and international airlines have stopped flying to the country, and domestic quarantine measures have resulted in agricultural labor shortage, as documented in a recent publication of the International Growth Center and corroborated by a survey jointly carried out by the Government of Sierra Leone and the United Nation's Food and Agriculture Organization. As a result, supply of basic items (including food) has dwindled significantly and incomes have fallen, heightening food insecurity. A recent World Food Program report estimates suggest that the number of food-insecure individuals could nearly double from the pre-crisis level to around 450,000; and rise to 610,000 people, if Ebola infestation continues at a high rate. These estimates are corroborated by the joint report of Government of Sierra Leone and the United Nation's Food and Agriculture Organization, where almost three-quarters of survey respondents reported having only one meal a day. Since the onset of the epidemic, the Government has been implementing its

response plan, with support from development partners. The response plan rests on four thematic pillars: (i) coordination, finance, and logistics; (ii) epidemiology and laboratory; (iii) case management, infection prevention and control, and psychosocial support; and (iv) social mobilization and public information.

II. RECENT ECONOMIC DEVELOPMENTS

4. Output was on a good trajectory for attainment of the real GDP growth rate of about 11 percent in 2014 projected prior to the Ebola outbreak in May. The strong performance observed in 2013 continued in the first half of the year, particularly in mining and agriculture, helping compensate for the Ebola-generated downturn observed in the second half of the year. Real GDP growth is estimated at 6 percent, thanks to higher-than-anticipated iron ore production that compensated for the adverse impact of lower prices.

5. After declining to single-digits at end-2013 for the first time in a decade, consumer price inflation continued to trend downwards in the first half of 2014. However, as the Ebola outbreak intensified, prices inched up on account of disruptions in supply chains, reduced food supply because of border closures; disruptions in agriculture production; and exchange rate depreciation. The inflation rate, which declined from 8.5 percent at end-2013 (year-on-year) to 7.8 percent at end-June 2014, rose to 9.3 percent at end-November, and could reach 10 percent by end-December.

6. Budget execution was challenging in 2014 because of weak revenue performance, expenditure overruns in the first half of the year, and the impact of the Ebola outbreak. At end-June, total revenue fell below the target by some Le 76 billion, mainly on account of lower receipts on royalties from the mining sector, import duties, and personal income tax. The decline in international iron ore prices and cash flow difficulties it generated for iron ore mining companies accounted for the shortfalls in mining royalties and personal income tax. Revenue collection remained weak in the second half of the year mainly because of the impact of the Ebola outbreak on economic activity. As a result, government revenue is expected to be significantly lower than budgeted for 2014. Total expenditures were higher than budgeted for end-June because of overruns in wages and salaries mostly due to new unanticipated recruitments; unbudgeted Ebola-related expenditures, and higher-than-expected outlays on goods and services, as well as domestically financed public investment. These developments, combined with a shortfall in budget support, led to the accumulation of unpaid bills totaling around Le 200 billion at end-June. Expenditures were reallocated in the fourth quarter to ensure clearance of these bills by year-end.

Preliminary information at end-December indicates that the domestic primary deficit could reach 5.2 percent of non-iron ore GDP, and borrowing from bank and non-bank financial institutions could be higher than budgeted, mostly because of high and unanticipated redemptions of securities held by nonbank financial institutions.

7. Monetary policy was geared towards attaining the end-year inflation target. Reserve money expanded by 23.1 percent (year-on-year) at end-September 2014, almost at the same rate during the same period of 2013. The Bank of Sierra Leone enforced the statutory limit (of no more than 5 percent of previous year's domestic revenue) on its direct lending to the budget. It maintained the monetary policy rate at 10 percent during the year, following stepwise downward adjustments from 20 percent in 2012 to 10 percent at end-2013. Broad money growth slowed down to 18.1 percent during the same period compared with 20.4 percent in the corresponding of 2013. The growth was driven mainly by an increase in banking system net foreign assets, consistent with improvements in the external current account. Credit to the private sector rose by 3.8 percent (year-on-year) as of end-September 2014, recovering from the weak levels observed in 2012–13. The 3-month Treasury bill rates declined from an average of 22.4 percent and 8.1 percent in 2012 and 2013 respectively, to 2.3 percent in December 2014.

8. Commercial bank lending rates remained sticky at a 19.7–25.3 percent range since end-2013. Most banks are comfortably capitalized, but credit risk and non-performing loans remained high in 2014. Banks' risk-weighted capital adequacy ratios are generally well-above the statutory norm of 15 percent, except at the two largest banks, where banking supervisory procedures have been initiated to address their weak capital positions. Loan concentration remained high with international trade, construction, and services (business and government) accounting for about three quarters of all loans. Reflecting this concentration, generally low repayment culture, and overhang of "legacy loans", non-performing loans have remained high at around 33.8 percent at end-September. Generally, profitability in the banking industry has been affected by the lower yields on Treasury bills. The latter account for the largest share of banks' income position.

9. The observed improvements in the balance of payments in 2012–13 continued into the first half of 2014. The improvement in 2014 reflects both a strong iron-ore driven increase in export receipts and a decline in imports (particularly of machinery and equipment related to iron ore activity). Hence, despite lower-than projected capital inflows, at end-June, gross official foreign international reserves increased by US$26 million. The Leone remained stable relative to Sierra Leone's trading partners' currencies, and the premium between the parallel market rate and the official exchange rate had declined. The external current account deteriorated in the second half

of the year on account of lower iron ore export receipts due to a sharp decline in iron ore prices, and higher imports, partly driven by the Ebola outbreak. However, it is estimated that capital inflows increased significantly during the same period, covering higher than anticipated balance of payments and budget support from Sierra Leone developments partners, and Ebola-driven foreign exchange (Forex). Demand pressures have built up in the foreign exchange market, leading to an increase in the depreciation of the Leone against the US dollar, from 2 percent in July 2014 to 13.54 percent in December. To meet the increased demand for imports, particularly for food, pharmaceutical and petroleum products, the Bank of Sierra Leone (BSL) increased its weekly sales of Forex from US$½ million in June to US$3 million in October, and carried out five wholesale Forex operations between September and December 2014 amounting to US$30 million.

III. PROGRAM PERFORMANCE

10. Despite the difficult environment, program implementation proceeded as scheduled with satisfactory results. At end-June, all quantitative performance criteria (PCs) were met, and continuous PCs are being observed. The ceiling on net domestic bank credit to the central government was met with a wide margin, after adjusting for non-disbursed budget support (Le 46.9 billion) and for under-borrowing from non-bank financial institutions (Le 87.7 billion). Similarly, the ceiling on net domestic assets of the central bank and the floor on gross foreign reserves were met with comfortable margins. The level of nonconcessional borrowing at end-June was US$10 million for energy projects, below the program ceiling of US$30 million per year. Indicative targets on domestic revenue and on the fiscal primary balance were missed due the weak fiscal performance as explained above. At Le 633 billion, poverty-related expenditures exceeded the programmed target of Le 542 billion, as spending on domestically-financed investment and subsidies and transfers exceeded their respective targets (Table 1).

11. Implementation of structural measures was mixed, as five out of nine structural benchmarks were met, and four experienced delays. The government developed a strategy for small- and medium-sized enterprises, and the BoSL prepared a roadmap for developing and implementing a risk-based supervision system, and all continuous measures: (i) monthly Treasury cash flow table; (ii) semi-annual report on Public Investment Program execution; and (iii) reporting on external debt commitments were observed. However, disruptions in technical assistance, partly on account of the onset of the Ebola epidemic delayed completion and submission to Parliament of the new Public Financial Management bill. The bill is expected to be submitted to Parliament in the first quarter of 2015. This has also delayed the establishment of a Treasury Single Account, although the interim steps of streamlining transit accounts of the National Revenue Authority (NRA) needed for this

measure was completed. The NRA now has 24-hour electronic access to its transit accounts in commercial banks, and a memorandum of understanding signed between the government and the banks on the transfer of balances in NRA transit accounts to the Treasury account at the BSL is being strictly enforced, and has helped improve Treasury cash flow management (Table 2).

12. Implementation of other structural reforms also progressed, albeit with delays. On civil service reforms, the right-sizing of the civil service has commenced with the recruitment of technical staff to fill the missing middle. The retrenchment of staff under the European Union-supported civil service reform program is yet to start. The process of mainstreaming donor and government funded local technical assistants is in progress and is expected to be completed in 2015. The Human Resources Management Office has upgraded the Human Capital Accountability (HCA) module in the Integrated Financial Management Information System (IFMIS) to the Civil Service Module, which has improved the link between the payroll and the IFMIS at the Accountant-General's Department.

13. To enhance the efficiency of the government securities market, the BSL has discussed a primary dealership agreement with the commercial banks, with the aim of establishing the new system by June 2015. This system would make explicit the roles of the banks in the government securities market, and should help enhance inter-bank trading in government securities and consequent development of a tri-party repurchase system with the BSL as the enforcer of the agreements. The Bank of Sierra Leone commenced the publication of a Calendar for the issuance of Government securities in July 2014. Although pilot wholesale Forex auctions were held in mid-October, the definite move from the current invoice-based system to the wholesale system (Benchmark for June 2014), has been delayed to June 2015 as BSL plans to build on lessons learned from the two pilots operations to refine draft guidelines to be circulated to commercial banks outlining the structure of the system and its mode of operation.

IV. ECONOMIC OUTLOOK AND POLICIES FOR 2015

14. Policies and macroeconomic objectives for 2015 are underpinned by the October 1, 2013 MEFP presenting the three-year ECF-supported program. They aim to consolidate recent progress in macroeconomic stability and to rekindle medium-term economic growth prospects in the aftermath of the Ebola epidemic. The revised macroeconomic framework shows that 2015 is likely to be marked by increased economic difficulties:

- Economic growth is set to contract. The real GDP growth is projected to decline by almost 13 percent because of the continued adverse impact of the Ebola epidemic on key sectors that normally drive growth, and the further decline in iron ore prices that contributed to financial difficulties of iron ore mining companies, leading to the temporary closure of the largest company (African Minerals Limited – AML) in November 2014. These projections assume that despite ongoing efforts by the government, both the containment of the Ebola epidemic and the resumption of production at AML might take time to materialize.

- Price pressures are expected to remain elevated. Consumer price inflation is expected to increase as agriculture production would continue to be affected by the Ebola epidemic and non-food inflation is likely to remain high in view of continued Forex market pressures. Hence, the average consumer price inflation rate is projected to rise from about 8 percent in 2014 to 13 percent in 2015.

- The external position is projected to worsen. The current account deficit is projected to increase from an estimated 9 percent of non-iron ore GDP in 2014 to 15 percent, mostly because of the projected decline in iron ore exports.

- The fiscal position is likely to remain precarious. The impact of the economic slowdown in the non-iron ore economy in 2014, and projected contraction for 2015 are expected to dramatically affect the 2015 revenue performance, while expenditure pressures will remain high, notably in priority sectors.

15. Government is preparing a post Ebola Recovery Strategy to address the immediate challenges arising from the epidemic. This will set the stage for the medium-term post-Ebola economic growth and development through the implementation of selected priority program and projects under the Poverty Reduction Strategy (Agenda for Prosperity – AfP). This, however, will require additional financial support from our development partners.

Fiscal Policy

16. The 2015 budget adopted by parliament in mid-December is an austerity budget that takes into account the expected impact of the ongoing Ebola epidemic on revenue and expenditure; and the projected external budget support.

17. The budget assumes that total government revenue would increase by about 8 percent compared with the estimated 2014 collection to reach Le 2,390 billion with the personal income tax, import duties and iron ore royalties as the main components. Revised projections taking into

account recent developments, including continued difficulties in the iron ore sector, the decline in oil prices, and the likelihood of a prolonged Ebola epidemic in 2015 show that revenue could amount to Le 2,132 billion or about Le 250 billion below the budgeted level.

18. Expenditures are budgeted at Le 4,457 billion in 2015. At Le 2,842 billion, current spending reflects an increase in the wage bill of about 11 percent on account of recruitment in priority sectors and a 15-percent salary increase starting in July (see below); a modest increase in spending for goods and services, and in subsidies and transfers. Domestically-financed investment is, however, budgeted at Le 430 billion, in decline compared with 2014, and the lowest level since 2011, because of resource constraints. Direct Ebola spending is expected to decline as most of the activities are funded by donors through the National Ebola Response Center. To address economic and social challenges engendered by the Ebola epidemic and support economic recovery, the following actions are planned in the 2015 budget:

- Provision of seeds, planting materials, fertilizers and pesticides to farmers to support recovery in the agriculture sector.
- Establish a Medical Insurance Scheme for health workers on a pilot basis.
- Set up a national school feeding program and provide education programs through the media to facilitate the resumption of schools at minimal costs for parents. Other actions in the education sector include: additional resources to Local Councils for the purchase of teaching and learning materials, disinfectants for schools and payment of examination fees; and provide of allocations for payment of tuition fees for girls in Junior Secondary Schools.
- Implement new social protection programs including school feeding, cash transfers for Ebola orphans and families affected by Ebola, and enhanced child protection programs at the local level. These programs will also be supported by a number of donors including the World Bank, the Islamic Development Bank, and the African Development Bank.
- Improve access to finance for Small and Medium-Sized Enterprises (SMEs).

19. The government is aware of the need to control the wage bill to ensure medium-term fiscal sustainability. While implementing reforms under the donor-funded civil service reforms, adjustments in salaries would be carefully considered within the broader expenditure mix, in order not to crowd out infrastructure investment and priority social spending. The wage bill continues to be in line with the medium-term wage and pay reform policy, but the decline in nominal GDP has implied an increase in the wage bill in non-iron ore GDP terms to 7 percent in 2015. Under the

budgeted wage bill, the minimum wage increases to Le 550,000 per month for civil servants and Le 660,000 for teachers and security forces; and there will be increased recruitment of personnel to fill key professional and technical positions in the civil service, additional teachers, nurses, and police officers. The government recognizes that the medium-term wage policy projections adopted by Cabinet in December 2014 were completed prior to the outbreak of the Ebola epidemic, and therefore need to be revisited. Hence, during the first half of 2015, these projections, as well as policy measures will be reviewed to take into account the negative impact of the Ebola outbreak and the financial difficulties in the mining sector on domestic revenue mobilization, and medium term fiscal outlook. On this basis, a revised medium-term wage policy will be adopted by Cabinet by end-September 2015 (Structural benchmark). In a similar vein, wage projections for 2016 and 2017 will be reviewed to take into account the effect of promotions and retirements within the public service with the overall objective of anchoring the wage bill to the limit of 6.5 percent of GDP for the medium term. A revised medium-term wage strategy will be completed by end-September, in time to inform the fiscal framework for the draft 2016 budget.

20. The updated macroeconomic framework for 2015 indicates that the budgeted revenue level seems too optimistic, while expenditure pressures are expected to remain high. Hence, the domestic primary deficit is projected at Le 844 billion, compared with Le 836 billion in the budget. To continue efficient delivery of public services, notably for Ebola-related social programs and support the economic recovery, the government approached Sierra Leone’s development partners for much needed additional budget support. Available commitments point to budget support amounting to Le 559 billion (Le 388 billion in the budget). Maintaining domestic financing at 2 percent of non-iron ore GDP as agreed under the program leaves an uncovered gap of Le 335 billion for which the government is requesting additional financing from the IMF through an augmentation of access under Sierra Leone’s program and debt relief under the recently established Catastrophe Containment and Relief Trust. To use the additional resources, the government will present a revised budget in parliament by end-June 2015. Given increased fiscal risks in 2015, budget execution will be closely monitored, notably through the Cash Flow Management Committee to ensure that mitigating measures are taken in the event of resource shortfall, to avoid accumulation of domestic payments arrears.

Monetary and Exchange Rate Policies

21. Rising inflationary pressures raise concerns. While cognizant that these pressures are driven by supply shocks, BSL is closely monitoring market conditions and stands ready to mop-up excess liquidity to address any second-round pressures. In this context, the BSL will continue to take steps to be more active in the secondary government securities market, and to enhance capacity in liquidity forecasting. At the same time, the BSL will step up monitoring of the financial health of the banking system, notably through enhanced on-site inspection and other measures as explained below.

22. Demand pressures observed in the Forex market in 2014 are likely to remain high until the Ebola epidemic has been contained and economic activities have resumed. In addressing these challenges, the BSL will seek to limit its interventions in the Forex market to preserve foreign exchange reserves. In addition, to the extent possible, as in 2014, the BSL will carry out wholesale Forex Auctions to increase experience in these transactions before eliminating the current invoice-based Forex sales.

Borrowing Policies and Financing of the Poverty Reduction Strategy

23. A Debt Sustainability Analysis carried out in June 2014 to update the Medium Term Debt Strategy (MTDS) highlighted the need to prioritize the implementation of transformational projects envisioned in the Agenda for Prosperity and to seek soft financing terms to the extent possible. The government reaffirms its commitment to fiscal and debt sustainability, and intends to maintain prudent debt management policies, continuing to give priority to grants and concessional borrowing to finance investment projects.

24. Cognizant of the challenges generated by the Ebola epidemic, government would delay the new airport project until the economic situation improves, and would continue to seek support from the World Bank, as well as consider the recommendations in the economic viability report by Ernest and Young.

25. On domestic debt, the government will continue to contain refinancing risks notably through the issuance of instruments with longer maturity as envisaged under the MTDS. As in 2014, the government will continue to signal its' borrowing needs in the securities market through the publication of a borrowing calendar, the frequency of which will be raised from weekly to quarterly.

V. STRUCTURAL REFORMS

26. The government remains committed to advancing structural reforms. The focus will continue to be on: (i) enhancing revenue mobilization; (ii) improving expenditure management, particularly for public investment; (iii) fostering healthy financial intermediation to support private sector development; and (iv) improving public debt management. Priority measures in these areas are described in Table 2.

27. To improve revenue mobilization, the government will continue to strengthen tax administration, including through the effective implementation of the new Tax Administration Act introduced in Parliament in December 2014. The latter will help improve compliance with tax obligations for taxpayers and importers by harmonizing administrative provisions and updating them to reflect current approaches in tax administration.

28. To ensure the attainment of budgeted revenue, the NRA will continue to strengthen implementation of administrative measures to curb fraud, tax evasion and avoidance, including through the use of securitized receipts for tax on goods and services (GST); the conduct of regular field audits; and further strengthening of the Revenue Intelligence and Investigation Unit. To improve tax compliance especially in the hard- to-tax sector, the NRA will establish a centralized Debt Management and Compliance Unit, Satellite Offices and a Domestic Tax Preparers Scheme. It will also operationalize the Flexible Anti-Smuggling Scheme, conduct automated reconciliation between the ASYCUDA and Destination Inspection Companies database, and introduce a database for customs valuation. Furthermore, the NRA plans to take the following measures in 2015:

- Improve Information Systems further through the automation of a non-tax revenue system; the introduction of an Integrated Tax Administration System; the enhancement of the Domestic Tax Information System (DTIS) with a payment module to automate payments banks holding NRA transit accounts.

- Roll out of the DTIS to provincial headquarters.

- Introduce the multi-year project of development of a reconciliation system with the transit banks and Accountant General's department, interface the monitoring department's Management Information System (MIS) with existing administration systems of operational departments.

- Implement a taxpayer call centre.
- Complete the migration from ASYCUDA++ to a customized Customs Management System.
- Strengthen the implementation of measures aimed at curbing tax evasion, and recovering unpaid tax obligations from 2014.

29. Actions to reduce tax exemptions will be accelerated. The Ministry of Finance and Economic Development (MOFED) will enhance scrutiny of duty waiver requests, and prepare a report on duty waivers granted in 2013-14, by September 2015 (**Structural benchmark**), with the aim of reducing discretionary waivers and enhancing revenue mobilization. Furthermore, by end-September 2015, the NRA will prepare a list of consolidated tax and non-tax obligations for mining companies and their sub-contractors to ensure full compliance with current legislation.

30. The government intends to continue advancing Public Financial Management (PFM) reforms to consolidate recent progress and address new challenges expected from the management of increased natural resources in the years ahead. The draft PFM bill endorsed by Cabinet presents clear and comprehensive definitions of government entities to underpin the new Treasury Single Account, and introduces fiscal responsibility principles to improve macro-fiscal planning and risk management.

31. Building on progress made at end-December 2014, BSL will reinvigorate implementation of reforms aimed at supporting monetary and exchange rate operations. In particular, BSL will ensure that the delayed primary dealership agreement system for the government securities market is established and operational by June 2015 (Structural Benchmark). The system will help enhance liquidity and turnover and support the development of a secondary market for government securities. Following the successful use of wholesale Forex sales in late 2014, BSL will transition to a wholesale foreign exchange auction system by June 2015 (Structural Benchmark). The BSL will also prepare operational rules to invigorate the interbank Forex market, by June 2015 (Structural Benchmark). In preparation for the publication of the daily reference foreign exchange rates, the BSL will commence in 2015 compilation of daily reference exchange rates of the Leone against the main international currencies based on previous day's transaction rates, to develop a time series. The daily publication of these rates, which informs commercial banks and their customers, will help minimize information asymmetry and improve efficiency in the Forex market.

32. As the Ebola epidemic has heightened challenges and risks in the financial sector, BSL intends to sharpen its supervisory practices to forestall overly risky lending. Building on the

roadmap for developing and implementing risk-based supervision completed in June 2014, key measures planned for 2015 include:

- Preparation of an internal contingent manual to guide identification and step-by-step supervisory actions in the event of specific or systemic banking sector distress, by September 2015 (Structural Benchmark).
- Preparation of bank-specific risk management guidelines to forestall credit, market, and technology risks.
- Preparation of detailed risk-based supervisory framework, including procedures for analyzing risk management systems of commercial banks.
- Completion of on-site supervision for the five largest banks selected using asset size and quality indicators by December 2015.
- Establishment of a registry of moveable collateral by December 2015 (Structural Benchmark).

VI. PROGRAM MONITORING

33. The program will be monitored on a semi-annual basis, through quantitative targets and structural benchmarks (Tables 3 and 4). Quantitative targets for end-June and end-December 2015 are performance criteria; and those for end-March and end-September 2015 are indicative targets. The third and fourth reviews under the program will be completed by June 15, 2015 and December 15, 2015, respectively; and the fifth review will be completed by June 15, 2016.

Table 1. Sierra Leone: Quantitative Performance Criteria and Indicative Targets for 2014[1]

(Cumulative change from beginning of calendar year to end of month indicated; Le billions, unless otherwise indicated)

	Dec. 2013	2014												
		Mar. 1/				Jun. 2/				Sep. 1/				Dec. 2/
	Stock	Prog. 3/	*Adj. Prog.*	Act.	Status	Prog. 3/	*Adj. Prog.*	Prel.	Status	Prog. 3/	*Adj. Prog.*	Prel.	Status	Prog. 4/
Performance criteria														
Net domestic bank credit to the central government (ceiling)	1,681	93	201	130	Met	184	318	217	Met	194	328	567	Not Met	493
Unadjusted target (ceiling)			92.8				183.8				193.7			
Adjustment for the shortfall (excess) in external budget support			66.4				46.9				22.3			
Adjustment for the issuance of government securities to the nonbank private sector			42.0				87.7				112.4			
Net domestic assets of the central bank (ceiling)	-295	20	86	55	Met	21	68	20	Met	-57	-35	33	Not Met	140
Unadjusted target (ceiling)			19.9				21.3				-56.9			
Adjustment for the shortfall (excess) in external budget support			66.4				46.9				22.3			
Gross foreign exchange reserves of the central bank, US$ millions (floor)	473.5	10	-6	13	Met	31	6	26	Met	35	30	19	Not Met	53
Unadjusted target (floor)			9.7				30.6				35			
Adjustment for the shortfall (excess) in external budget support 6/			-15.3				-10.8				-5.2			
Adjustment for the shortfall in the US$ value of IMF disbursement			0.0				-13.7				0.0			
Adjustment for the increase (decrease) in BSL short-term foreign currency liabilities			-0.4				-0.4				0.7			
Ceiling on new nonconcessional external debt (in $ million) 5/ 6/	...	30		0	Met	30	...	10	Met	30	...	10	Met	30
Outstanding stock of external debt owed or guaranteed by the public sector with maturities of less than one year (ceiling) 5/	...	0.0		0.0	Met	0.0	...	0.0	Met	0.0	...	0.0	Met	0.0
External payment arrears of the public sector (ceiling) 5/	...	0.0		0.0	Met	0.0	...	0.0	Met	0.0	...	0.0	Met	0.0
Indicative target														
Total domestic government revenue (floor)	...	549		588	Met	1,247		1,171	Not Met	1,919		1,715	Not Met	2,341
Poverty-related expenditures (floor)	...	231		267	Met	542		633	Met	809		1,008	Met	1,145
Domestic primary balance (floor)		-176		-114	Met	-300		-515	Not Met	-330		-892	Not Met	-806
Memorandum items:														
External budgetary assistance (US$ million) 7/	...	5.1		4.7		45.4		34.6		50.6		45.4		91.4
Net credit to government by nonbank sector 8/	...	0.0		-42.0		21.9		-65.8		43.9		-68.5		66.0
ECF disbursements (SDR millions)		0.0		0.0		13.7		13.7		0.0		0.0		53.5
Exchange rate (Leones/US$)	4,334	4,334		4,334		4,334		4,334		4,334		4,334		4,334

1/ The performance criteria and indicative targets are defined in the Technical Memorandum of Understanding (TMU); end-March and end-September are indicative targets.

2/ End-June and end-December target are performance criteria.

3/ Refers to program of EBS/14/64

4/ Refers to program of EBS/14/116

5/ These apply on a continuous basis.

6/ The ceiling covers priority loans for the energy sector; for 2013–14, such projects include the construction of two mini dams to provide access to electricity in a rural area.

7/ Including grants and loans. Reference in EBS/14/114 to US$91.4 million was inaccurate; corrected figure US$78.3 million.

8/ Comprises treasury bills purchased by the National Social Security and Insurance Trust (NASSIT) and the nonfinancial private sector.

Table 2. Sierra Leone: Structural Benchmarks Under the ECF-Supported Program, 2014

Measures	Timing	Status
Revenue Mobilization		
• Establish a Treasury Single Account (TSA), and streamline NRA's transition accounts.	End-June	Not met.
• Establish a Natural Resource Revenue Fund with legal and procedural characteristics as recommended by FAD TA under the Topical Trust Fund for managing natural resource wealth.	End-December	Not met.
• Introduce a new Tax Administration Act.	End-December	Met.
Expenditure and Debt Management		
• Submit to parliament the new PFM Bill that includes amendments and clarifications on supplementary budgets and contingency funds, as well as provisions for the establishment of a Natural Resource Revenue Fund.	End-June	Not met.
• Prepare a monthly rolling Treasury cash flow table consistent with the revised 2014 budget.	Continuous	Met.
• Prepare a bi-annual report on PIP execution.	Continuous	Met.
• Prepare a quarterly report on external debt commitments, agreements and disbursements.	Continuous	Met.
• Complete a three-year PIP, fully integrated with the budget process and the revised MTEF for 2015–18, to be submitted to parliament with the 2015 budget.	End-October	Not met.
Financial Sector Development		
• Prepare a roadmap for developing and implementing risk-based supervision.	End-June	Met.
• Establish a primary dealer agreement system for the government securities market.	End-June	Not met.
• Introduce a wholesale foreign exchange auction.	End-June	Not met.

Table 2. Sierra Leone: Structural Benchmarks Under the ECF-Supported Program, 2014
(concluded)

Measures	Timing	Status
Business Environment		
• Prepare a development strategy for small- and medium-sized enterprises.	June 2014	Met.
• Introduce a one-stop window for imports clearance.	Dec. 2014	Not met.

Table 3. Sierra Leone: Quantitative Performance Criteria and Indicative Targets for 2015[1]

(Cumulative change from beginning of calendar year to end of month indicated; Le billions, unless otherwise indicated)

	Dec. 2014 Proj. (stock)	2015 Mar. 1/	Jun. 2/	Sept. 1/	Dec. 2/
Performance criteria					
Net domestic bank credit to the central government (ceiling)	2,328	249	302	447	588
Unadjusted target (ceiling)					
Adjustment for the shortfall (excess) in external budget support					
Adjustment for the issuance of government securities to the nonbank private sector					
Net domestic assets of the central bank (ceiling)	-334	220	186	190	202
Unadjusted target (ceiling)					
Adjustment for the shortfall (excess) in external budget support					
Gross foreign exchange reserves of the central bank, US$ millions (floor)	556	63	63	20	40
Unadjusted target (floor)					
Adjustment for the shortfall (excess) in external budget support 3/					
Adjustment for the shortfall in the US$ value of IMF disbursement					
Adjustment for the increase (decrease) in BSL short-term foreign currency liabilities					
Ceiling on new nonconcessional external debt (in $ million) 3/ 4/	...	30	30	30	30
Outstanding stock of external debt owed or guaranteed by the public sector with maturities of less than one year (ceiling) 3/	...	0.0	0.0	0.0	0.0
External payment arrears of the public sector (ceiling) 3/	...	0.0	0.0	0.0	0.0
Indicative target					
Total domestic government revenue (floor)	...	479	1,000	1,556	2,132
Poverty-related expenditures (floor)	...	271	570	807	1,128
Domestic primary balance (floor)		-506	-1,119	-1,420	-1,163
Memorandum items:					
External budgetary assistance (US$ million) 5/	...	24.8	62.9	68.1	103.3
Net credit to government by nonbank sector 6/	...	0.0	10.0	20.0	19.2
ECF disbursements (SDR millions, flow)		88.0	12.9	0.0	12.9
Exchange rate (Leones/US$)	4,334	4,953	4,953	4,953	4,953

1/ The performance criteria and indicative targets are defined in the Technical Memorandum of Understanding (TMU); end-March and end-September are indicative targets.
2/ End-June and end-December target are performance criteria.
3/ These apply on a continuous basis.
4/ The ceiling covers priority loans for the energy sector; for 2013–14, such projects include the construction of two mini dams to provide access to electricity in a rural area.
5/ Including grants and loans.
6/ Comprises treasury bills purchased by the National Social Security and Insurance Trust (NASSIT) and the nonfinancial private sector.

Table 4. Sierra Leone: Proposed Structural Benchmarks Under the ECF-Supported Program, 2015

Measures	Timing	Rationale
Revenue Mobilization		
• Prepare a report on duty waivers granted in 2013-14, by category and by sector, specifying the legal basis for the waiver (MEFP, ¶29).	End-September	Enhance monitoring of tax exemptions and reduce ad hoc duty waivers.
Expenditure Management		
• Adoption by Cabinet of a revised medium-term wage and pay reform strategy reflecting the revised economic projections and taking into account promotions and retirements in the civil service (MEFP, ¶19).	End-September	Strengthen wage policy.
Financial Sector Development		
• Finalize the draft of BoSL's rules governing the operations of the interbank foreign exchange market (MEFP, ¶31).	End-June	Improve monetary operations.
• Prepare an internal BoSL contingent manual to guide identification and step-by-step supervisory actions in the event of specific or systemic banking distress (MEFP, ¶32).	End-September	Strengthen banking supervision.
• Establish a registry of moveable collateral (MEFP, ¶32).	End-December	Develop access to credit for small-and-medium sized borrowers.

Attachment 2. Technical Memorandum of Understanding

Freetown, February 6, 2015

INTRODUCTION

1. This memorandum sets out the understandings between the Sierra Leonean authorities and the International Monetary Fund (IMF) regarding the definitions of the quantitative performance criteria (PCs) and structural benchmarks (SBs) for the program supported by the Extended Credit Facility (ECF) arrangement, as well as the related reporting requirements. Unless otherwise specified, all quantitative PCs and indicative targets will be evaluated in terms of cumulative flows from the beginning of the period, as specified in Table 1 of the Letter of Intent (LOI).

2. **Program exchange rates**.[1] For the purpose of the program, foreign currency denominated values for 2015 will be converted into Sierra Leonean currency (leone) using a program exchange rate of Le 4953.34/US$ and cross rates as of end December 2014.[2]

Sierra Leone: Program Exchange Rate for ECF Arrangement
Cross Rates as of December 31, 2014

Currency	Sierra Leonean Leones per currency unit	US dollars per currency unit
US dollar	4953.34	1.00
British pounds sterling	7730.64	1.56
Japanese yen	41.36	0.008
Euro	6013.44	1.21
SDR	7176.90	1.45

[1] The source of the cross exchange rates is International Financial Statistics.

[2] For calculating program targets for 2015, all end 2014 stock variables will be based on program exchange rate of Le 4953.34/US$.

QUANTITATIVE PERFORMANCE CRITERIA

A. Gross Foreign Exchange Reserves of the Bank of Sierra Leone

3. **Definition**. Unless otherwise noted, gross foreign exchange reserves of the Bank of Sierra Leone (BoSL) are defined as reserve assets of the BoSL. Reserve assets are defined in the IMF's *Balance of Payments Manual* (5^{th} ed.) and elaborated in the reserve template of the Fund's *International Reserves and Foreign Currency Liquidity: Guidelines for a Data Template*. They exclude foreign assets not readily available to, or controlled by, the monetary authorities.

4. **Adjustment clauses**. The floor on the change in gross foreign exchange reserves will be adjusted (a) downward (upward) by the amount in U.S. dollars of the shortfall (excess) in programmed external budgetary assistance[3]—the downward adjustment will be capped at the equivalent of US$20 million; (b) downward (upward) for any shortfall (excess) in the U.S. dollar value of disbursements from the IMF under the ECF arrangement; and (c) upward (downward) for any increase (decrease) in BSL short-term (one year or less in original maturity) foreign currency-denominated liabilities (to residents and nonresidents).

B. Net Domestic Assets of the BSL

5. **Definition**. Net domestic assets (NDA) of the BoSL are defined as the end-period stock of the reserve money less the end-period stock of net foreign assets calculated at the program exchange rates. Reserve money includes currency issued (equal to currency outside banks plus cash in vaults), deposits of commercial banks with the BoSL and the BoSL liabilities to other private sector. Net foreign assets of the BSL are defined as gross foreign exchange reserves (defined above) minus foreign liabilities. Foreign liabilities are defined as foreign currency-denominated liabilities of the BSL to nonresidents (excluding a foreign liability to China of Le 35 billion relating to a legacy clearing account for a previous bilateral trading agreement) and the outstanding use of Fund credit. For program purposes, foreign liabilities exclude SDR allocation, and debt relief from the Catastrophe Containment and Relief (CCR) Trust granted in 2015.

[3] External budgetary assistance is defined as program grants and program loans, excluding HIPC assistance.

6. **Adjustment clauses**. The ceiling on changes in NDA of the BoSL will be adjusted upward (downward) by the leone value of the shortfall (excess) in the external budgetary assistance—the upward adjustment will be capped at the equivalent of US$20 million.

C. Net Domestic Bank Credit to the Central Government (NCG)

7. **Definition**. NCG refers to the net banking system's claims on the central government as calculated by the BSL. It is defined as follows:

a. the net position of the government with commercial banks, including: (a) treasury bills; (b) treasury bearer bonds; and (c) loan and advances of commercial banks to the government; less government deposits in commercial banks;

b. the net position of the government with the BoSL, including: (a) treasury bills and bonds, excluding holdings of special bonds provided by government to cover BoSL losses (Le 357.5 billion) and to increase its capital (Le 75 billion); (b) the stock of non-negotiable non-interest bearing securities (NNNIBS); (c) ways and means; and (d) any other type of direct credit from the BoSL to the government, including the special on-lending arrangements relating to the augmentation of access under the ECF arrangement in 2014 and 2015; less (a) central government deposits; and (b) any debt relief received, notably HIPC, MDRI and relief deposits as well as debt relief under the CCR Trust.

8. **Adjustment clauses**. The ceiling on changes in NCG will be adjusted (a) upward (downward) by up to the leone value of the shortfall (excess) in external budgetary assistance—the upward adjustment will be capped at the equivalent of US$20 million; (b) downward (upward) by the excess (shortfall) in the leone value of net issues of government securities to the nonbank private sector vis-à-vis the program assumption (as specified in the memorandum items in Table 1 of the LOI).

9. **Data source**. The data source for the above will be the series "Claims on Government (net)", submitted to the IMF staff and reconciled with the monthly monetary survey prepared by the BSL.

10. **Definition of Central Government**. Central government is defined for the purposes of this memorandum to comprise the central government and those special accounts that are classified as central government in the BSL statement of accounts. The National Social Security and Insurance Trust and public enterprises are excluded from this definition of central government.

D. External Payment Arrears of the Public Sector

11. **Definition**. External payment arrears of the public sector are defined to include all debt-service obligations (interest and principal) arising from loans contracted or guaranteed by the public sector. For the purposes of this PC, the public sector comprises the central government, regional government, all public enterprises and the BoSL. The non-accumulation of external arrears is a continuous performance criterion during the program period. For the purposes of this performance criterion, external arrears are obligations that have not been paid on due dates (taking into account the contractual grace periods, if any). Excluded from this PC are those debts subject to rescheduling or restructuring, or are under litigation. This PC will apply on a continuous basis.

E. New Nonconcessional External Debt Contracted or Guaranteed by the Public Sector with an Original Maturity of One Year or More

12. **Definition**. Those are defined as all forms of new debt with original maturity of one year or more contracted or guaranteed by the public sector (see paragraph 11 for definition of public sector) based on the residency of the creditor. This PC applies not only to debt as defined in the Guidelines on Performance Criteria with Respect to Foreign Debt (Decision No. 12274 (00/85), August 24, 2000, Point 9, as revised on August 31, 2009, (Decision No. 14416-(09/91)) but also to commitments contracted or guaranteed for which value has not been received. Excluded from this PC are disbursements from the IMF and those debts subject to rescheduling. For the purposes of this PC, the "public sector" is as defined in paragraph 11 above. This PC will apply on a continuous basis.

13. Any external debt of which the net present value, calculated with the reference interest rates mentioned hereafter, is greater than 65 percent of the nominal value (grant element of less than 35 percent) is considered nonconcessional, with the exception of IMF lending. The discount rate used for the purpose of calculating concessionality is 5 percent. The government will report any planned external borrowing and its terms to Fund staff before external debt is contracted or guaranteed by the government.

F. External Short-Term Debt Contracted or Guaranteed by the Public Sector

14. **Definition**. External short-term debt is defined as external debt stock with a maturity of less than one year contracted or guaranteed by the public sector (see paragraph 11 for definition of public sector). Debt is defined in Annex I of this TMU. For this purpose, short-term debt will exclude normal trade credit for imports. For the purposes of this PC, the public sector is as defined in paragraph 11 above. This PC will apply on a continuous basis.

QUANTITATIVE INDICATIVE TARGET

A. Domestic Primary Balance

15. **Definition**. Central Government Revenue less expenditures and net lending adjusted for interest payments and foreign financed capital spending.

B. Domestic Revenue of Central Government

16. **Definition**. The floor on total domestic central government revenue is defined as total central government revenue, as presented in the central government financial operations table, excluding external grants.

C. Poverty-Related Expenditures

17. **Definition**. For program monitoring purposes, poverty-related expenditures are defined as the total of current and capital expenditures of the following ministries and institutions: Education, Health, Social Welfare, Agriculture, Transport and Communications, Energy, Water, Police, Prisons Department, National Fire Authority; and capital expenditure for the Ministry of Works, Energy, Water, Health and Sanitation, Agriculture, Police, Prisons, Local Councils, Commission for Social Action, Anti-Corruption Commission, and Statistics Sierra Leone. Current expenditures are defined as expenditures on goods and services, transfers, and other current spending. Capital expenditures are defined as domestically-financed investment. Poverty-related spending encompasses also budgetary expenditure for the Ebola Response Plan.

PROGRAM MONITORING

18. The Sierra Leonean authorities shall maintain a program-monitoring committee composed of senior officials from the MoFED, the BSL, and other relevant agencies. The committee shall be responsible for monitoring performance under the program, recommending policy responses, informing the IMF regularly about the progress of the program, and transmitting the supporting materials necessary for the evaluation of PCs and benchmarks. The committee will provide monthly reports to the IMF on progress in implementing the program's quantitative targets and structural benchmarks.

Annex. Implementation of the Revised Guidelines on Performance Criteria with Respect to Foreign Debt

The term "debt" has the meaning set forth in point No. 9 of the Guidelines on Performance Criteria with Respect to Foreign Debt adopted on August 24, 2000, which reads as follows: "(a) For the purpose of this guideline, the term "debt" will be understood to mean a current, i.e., not contingent, liability, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, at some future point(s) in time; these payments will discharge the principal and/or interest liabilities incurred under the contract. Debts can take a number of forms, the primary ones being as follows: (i) loans, i.e., advances of money to obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans, and buyers' credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements); (ii) suppliers' credits, i.e., contracts where the supplier permits the obligor to defer payments until sometime after the date on which the goods are delivered or services are provided; and (iii) leases, i.e., arrangements under which property is provided which the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lessor retains the title to the property. For the purpose of the guideline, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement excluding those payments that cover the operation, repair, or maintenance of the property. (b) Under the definition of debt set out above, arrears, penalties, and judicially awarded damages arising from the failure to make payment under a contractual obligation that constitutes debt are debt. Failure to make payment on an obligation that is not considered debt under this definition (e.g., payment on delivery) will not give rise to debt". (c) Excluded from this performance criterion are normal import-related credits, disbursements from the IMF, and those debts subject to rescheduling arrangements."

Sierra Leone: Summary of Data Reporting to IMF Staff			
Type of Data	**Tables**	**Frequency**	**Reporting Deadline**
Real sector	National accounts	Annual	End of year + 9 months
	Revisions of national accounts	Variable	End of revision + 2 months
	Disaggregated consumer price index	Monthly	End of month + 2 weeks
Public finance	Net government position and details of nonbank financing, including the stock of the float, treasury bills, and bonds, as well as privatization receipts	Monthly	End of month + 6 weeks
	Government flow-of-funds table (Government Financial Operations Table) with supporting documentation (final) and presented on commitment and cash bases	Monthly	End of month + 6 weeks
	Petroleum product prices and tax receipts by categories of petroleum products	Monthly	End of month + 6 weeks
	Stock of outstanding payment commitments with a breakdown between current and capital expenditures	Monthly	End of month + 6 weeks
	Import duty exemptions by end-users and tariff regimes and estimates of corresponding revenue losses	Quarterly	End of quarter + 6 weeks
Monetary and financial data	Monetary survey	Monthly	End of month + 6 weeks
	Balance sheet of the BSL	Monthly	End of month + 6 weeks
	Consolidated balance sheets of commercial banks	Monthly	End of month + 6 weeks
	BSL monitoring sheet of net financing of the financial sector to the government	Monthly	End of month + 6 weeks
	BSL monitoring sheet of treasury bills and bonds holdings	Monthly	End of month + 6 weeks
	Borrowing and lending interest rates	Monthly	End of month + 6 weeks
	Results of foreign exchange and Treasury Bills auctions	Weekly	End of week + 3 days
	Stocks of government securities	Monthly	End of month + 6 weeks
	Banking supervision ratios	Quarterly	End of quarter + 8 weeks

Sierra Leone: Summary of Data Reporting to IMF Staff (concluded)			
Type of Data	**Tables**	**Frequency**	**Reporting Deadline**
Monetary and financial data	Gross official foreign reserves	Weekly	End of week + 1 week
	Foreign exchange cash flow table	Monthly	End of month + 3 weeks
	Revised balance of payments data	Monthly	When revisions occur
	Exports and imports of goods (including the volume of key minerals and fuels)	Monthly	End of month + 3 months
External debt	Outstanding external arrears and repayments (if applicable)	Monthly	End of month + 4 weeks
	Details of all new external borrowing and guarantees provided by government on new borrowing, including the associated concessionality calculation (percentage) for each new loan.	Monthly	End of month + 4 weeks
	External debt service payments (separately on principal and interest payment) to each creditor, including and excluding new disbursements in the debt recording system. Also, including and excluding HIPC relief.	Monthly	End of month + 4 weeks
	Report on the stock of debt outstanding, and loan agreements under discussion	Quarterly	End of month + 3 months
HIPC initiative and MDRI monitoring	Statement of special account at the BSL, that receives resources generated by the HIPC Initiative and tracks their use	Monthly	End of month + 4 weeks
	Statement of special MDRI account at the BSL and the corresponding poverty-reducing spending financed	Monthly	End of month + 4 weeks
	Minutes of the meeting of the Monetary Policy Committee	Monthly	Date of meeting + 2 weeks