

IMF

Speaking Points
UN Peacebuilding Commission Meeting on Sierra Leone
New York, December 13, 2006

Mr. Chairman:

- **As indicated during the October meetings, the Fund continues to work with Sierra Leone, providing financial and technical assistance to the country.**
- **Sierra Leone's request for completion of the first review under the program supported by the Fund's Poverty Reduction and Growth Facility (PRGF) is expected to be considered by the IMF Executive Board on December 15, 2006.** The three-year macroeconomic program was approved by the Board in May 2006 to support the Sierra Leonean government's economic program (covering 2006-08). The total amount committed for Sierra Leone is SDR 31.1 million (or about US\$44.4 million), of which an initial disbursement was made in the amount of about US\$7 million. Another disbursement in the same amount is scheduled to be made upon completion of the first review.
- **The program is aligned with the government's overall goal of sustaining high economic growth and significantly reducing poverty and is consistent with its Poverty Reduction Strategy (PRS).** The main objectives of the program are to achieve macroeconomic stability through (i) sound fiscal management, (ii) more efficient monetary policy, and (iii) stimulating private sector growth. Key elements of the government's fiscal strategy include increasing domestic revenue collection through the widening of the tax base, and enhancing public expenditure management, including a tighter control on the wage bill, with a view to channeling more resources toward poverty reduction. The program includes structural reforms to promote good governance and transparency, deepen financial intermediation and improve the business environment.
- **The performance of the government of Sierra Leone under the macroeconomic program has been satisfactory and the program is on track.** Despite some delays

in implementation, the program's objectives and structural reforms for 2006 and 2007 should be achievable. Economic growth, at above 6 percent in real terms, continues to be robust and broad-based, while inflation has declined to single digits.

- **Upon completion of the first review of the current program by the Executive Board of the IMF, Sierra Leone is expected to reach the completion point under the enhanced Highly Indebted Poor Country (HIPC) Initiative.** This will free up additional resources for the country to reduce poverty and make progress toward achieving the Millennium Development Goals (MDGs). Debt relief under the enhanced HIPC Initiative is expected to total US\$675 million in NPV terms (as a result of an upward revision of the original assistance committed at the Decision Point in February 2002). This should bring about savings of slightly less than US\$1 billion in nominal terms.
- **Sierra Leone would also qualify for additional debt relief under the Multilateral Debt Relief Initiative (MDRI).** Debt relief under the MDRI would cover all remaining debt service obligations on eligible credit balances to the World Bank (IDA), the IMF, and the African Development Fund after HIPC assistance. MDRI relief net of HIPC assistance would bring nominal debt service savings of US\$609.9 million, on a flow basis.
- **Looking ahead, an efficient use of the freed resources will be critical to ensure progress toward achieving the MDGs.** It is also important that Sierra Leone follows a prudent external borrowing strategy and rely increasingly on highly concessional donor support to maintain post-HIPC/MDRI debt sustainability over the medium term. The Fund will continue to assist Sierra Leone in this endeavor. The risks to the program remain Sierra Leone's high dependency on external support which at times has been unpredictable, and the difficulty in enforcing fiscal discipline in an election year (2007).