

**Working-Level Visit of the Peacebuilding Commission Sierra Leone Configuration
to the World Bank and International Monetary Fund
27 June 2018**

Background:

1. The Peacebuilding Commission (PBC) Sierra Leone Configuration conducted a working-level visit to Washington D.C. on 27 June 2018, to meet with officials from the World Bank Group (WBG) and the International Monetary Fund (IMF). Representing the Chair of the Configuration, H.E. Ambassador Mr. Marc-Andre Blanchard, Permanent Representative of Canada to the UN, Ms. Vanessa Wyeth, Senior Peacebuilding Expert of the Canadian Mission to the United Nations led the delegation. She was accompanied by Ms. Gizem Sucuoglu, Peacebuilding Officer at the UN Peacebuilding Support Office (PBSO)

2. The purpose of the visit was to follow-up on the recent Ambassadorial-level meeting of the PBC Sierra Leone configuration, convened on 23 May 2018 following the presidential, parliamentary and local council elections to discuss the peacebuilding priorities of the new Sierra Leone government and the ways in which the Peacebuilding Commission (PBC) and Peacebuilding Fund (PBF) could support these. During this meeting, the value of partnerships with international financial institutions, and the vital role the PBC could play in encouraging better partnerships, particularly through engaging with partners such as the World Bank and the IMF was underscored.

3. In meetings with the World Bank Group, the experts met with Ms. Laura Kullenberg, Country Program Coordinator for Sierra Leone, and Ms. Serena Cavicchi, Ms. Sandra Jensen Landi, and Mr. Siafa Hage from the Fragility, Conflict and Violence (FCV) Group. The experts also met with Mr. Brian Aitken, IMF Mission Chief to Sierra Leone, who had led IMF missions to the country in April and June 2018.

Meetings with the World Bank Group:

4. During their visit to the WBG, the delegation explained to their counterparts the role of the PBC in bringing sustained attention and accompaniment to countries affected by conflict. They told them that the Sierra Leone configuration of the PBC was in the process of redefining its workplan following the presidential, parliamentary and local council elections, and supporting UN's relationship with the WBG in Sierra Leone, and bringing in the perspectives of the WBG to conversations in New York on Sierra Leone would be central to configuration's work in the year ahead.

5. WBG experts informed the experts that:

- The current portfolio of the WBG in Sierra Leone is aligned with the (previous) government's Agenda for Prosperity and the Post-Ebola Recovery Program, and more than 50% of the portfolio constitutes projects in the health and energy sectors. WBG also supports policy reforms and macroeconomic management through budget sustenance (provided in harmonization with other budget support donors), and works in the areas of

human development, infrastructure & productive sectors, and governance. The Bank enjoys good relations with the United Nations in Sierra Leone, and actively takes part in the meetings of the UN Country Team.

- A new Systematic Country Diagnostic (SCD), which serves as an analysis to frame the drivers of poverty and instability has recently been completed, and would inform the new Country Partnership Framework (CPF) which is expected to be finalized by the end of 2018 (the CPF consultations will take place in October in several cities throughout the country). The SCD and CPF cycle can be interesting for the PBF as well, to identify which areas need rapid and catalytic support and ensuring coherent support to the priorities of Sierra Leone.
- The WBG's relationship with the new government is evolving; there were bilateral meetings in April in the context of the preparations for the SCD where the government told the WBG their desire to prioritize education and youth in the future programming cycles, including weighing introducing free education for all. WBG was considering prioritizing budget support, emergency recovery, urban development and transportation, agro-processing, increasing competitiveness, energy, land reform and skills development.
- The new government is committed to economic reform and growth, but faces several challenges: risk of political instability, a weak legal framework and institutional capacity issues, and barriers to economic diversification and domestic revenue generation. The Peacebuilding Commission might consider providing accompaniment to Sierra Leone on these issues, by lending support to overcome political tensions, serving as a platform to bridge relevant economic stakeholders and partners, and bringing in good practices from countries that went through similar processes.

Meetings with the International Monetary Fund:

6. The meeting with the IMF largely focused on the three-year arrangement with Sierra Leone under the Extended Credit Facility (ECF) from 2017 – 2020. In June 2017, the IMF Executive Board approved US\$ 224.2 million for a program aimed at supporting policies targeted at reducing inflation and increasing domestic revenues including by eliminating numerous tax and duty exemptions while increasing infrastructure spending and bolstering the social safety net, and enabled a first disbursement of US\$ 54 million. In the medium-term, the arrangement would provide the framework for structural progress on revenue mobilization, public financial management and financial sector reforms, as well as increased reserves. In February 2018, IMF decided to delay its disbursement of the second tranche of programme financing due to a weak budget revenue outlook, and difficulties in ensuring better control of government spending and raising revenues.

7. Immediately after the elections, the IMF and Sierra Leone Ministry of Finance had co-convened a High-Level Forum on Economic Policy Priorities in Freetown, to discuss economic policy priorities with the newly elected President. President Bio had openly committed to reengaging with the IMF and bilateral donors during the forum. Based on these initial interactions, IMF had decided on a two-stage approach: to visit the country in June 2018 for an assessment of the situation, and taking stock with the government based on the findings of the mission, with the aim of going back to lending mode.

8. The IMF team led by Mission Chief Brian Aitken had visited Sierra Leone from 4-12 June. The mission identified a ‘challenging’ macro-economic/financial environment in the country, attributing it to inadequate budget revenue and weak spending discipline which were said to have led to a sizeable increase in the stock of budget arrears over the last year. The mission also acknowledged and commended the efforts made by the new administration, which include the rolling out of the Treasury Single Account, a reduction in duty waivers and exemptions, stronger oversight over ministries, departments and agencies, and expenditure restraint. As a result, the IMF team and Sierra Leone authorities have reached a common understanding on the key areas where additional progress was needed, including a plan for financing the 2018-2019 budget; increasing accountability, mobilizing revenue, fostering transparency and oversight of ministries, departments and agencies; and advancing the legislative reform agenda in the areas of banking, public financial management, and revenue administration. Mr. Aitken explained that the IMF was geared towards interacting with government authorities with the aim of reaching a revised program arrangement for the country, or negotiating a new multi-year program based on the government’s priorities.

8. Mr. Aitken commended the good intentions and early efforts of the Sierra Leone government, but explained that the country faced a difficult situation with inflationary pressures and difficulties to generate revenues. As the IMF program had already derailed once, it would be important to ensure success this time to boost the credibility of the government. In response to the delegation’s questions, Mr. Aitken explained that the IMF had to be flexible and cognizant of the difficulties the country faced, but three areas required urgent attention: macroeconomic stability, debt sustainability including public debt, and foreign exchange reserves. In this difficult period, Sierra Leone would need the support of key donors, including the World Bank and the European Union. Mr. Aitken emphasized that for the IMF, success on specific benchmarks was very important, but they would also be monitoring overall economic trends in Sierra Leone that indicated progress.

Action points:

9. During the meetings, the experts emphasized the value of the Peacebuilding Commission in putting the risks, challenges and response efforts faced by countries like Sierra Leone in the spotlight, and showcase how the UN could partner for better results. The following areas were identified as having potential for future action:

- Use the configuration to facilitate information exchanges between the United Nations and international financial institutions, including through sharing analysis, policy documents, and mission reports;
- Invite the World Bank Group, including the Country Manager in Freetown, to brief the configuration on the risks, challenges and opportunities identified by the Systematic Country Diagnostic (SCD) and the upcoming new Country Partnership Framework (CPF);

- Invite IMF representatives, including the IMF Mission Chief in Sierra Leone to brief the configuration on the future of the IMF's arrangement with the country under the Extended Credit Facility;
- Facilitate interactive dialogues between the IMF and the World Bank and the members of the configuration, in order to jointly identify and analyze opportunities and challenges for the country, discuss ways in which they can jointly work towards ensuring more inclusive, people-centered outcomes in support of national priorities, and the ways in which the PBC can provide political accompaniment;
- Engage in dialogue with the WBG's Fragility, Conflict and Violence Group and relevant UN partners on the implementation of the joint UN-World Bank "Pathways for Peace" study, to identify good practices and lessons learned in Sierra Leone on conflict prevention, particularly during and in the immediate aftermath of the elections.