International Monetary Fund

Sierra Leone and the IMF

Press Release:
IMF Executive Board Completes Sixth Review Under ECF Arrangement for Sierra Leone and Approves US$33.23 Million Disbursement
December 6, 2016

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

November 17, 2016

The following item is a Letter of Intent of the government of Sierra Leone, which describes the policies that Sierra Leone intends to implement in the context of its request for financial support from the IMF. The document, which is the property of Sierra Leone, is being made available on the IMF website by agreement with the member as a service to users of the IMF website.

Letter of Intent

Freetown,
November 17, 2016

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

Dear Madame Lagarde:

1. The program supported by the Extended Credit Facility (ECF) arrangement has achieved its key objectives, despite the severe exogenous shocks we have suffered. The 2013–2016 ECF arrangement was initiated at a time of great momentum in our economy. Following the commencement of large scale iron ore mining, we concluded a medium term Poverty Reduction Strategy Paper, the *Agenda for Prosperity*, which was designed to accelerate growth, reduce poverty and usher our country into the ranks of middle income countries by 2035. As a result, reflecting the poverty reduction and growth objectives, the program focused on (i) consolidating the gains from the previous program, including macroeconomic stability supported by prudent fiscal and monetary policies; (ii) strengthening revenue performance and improving public financial management to efficiently channel adequate resources to infrastructure and poverty-reducing spending; and (iii) stepping up financial sector reforms to support financial deepening and economic growth. This letter details the achievements under the program, and provides an update of our economic policies going forward.

2. The ECF arrangement played a crucial role in ensuring macroeconomic stability in the presence of two significant shocks in 2014–2015: the Ebola epidemic and the sharp drop in iron ore prices. Though the shocks resulted in a temporary dip in real growth, thanks to sound macroeconomic policies and the support of our development partners, including the IMF, growth has since resumed. Consistent with the objectives we set out to achieve at the inception of the program, we have maintained macroeconomic stability through the pursuit of prudent fiscal and monetary policies, inflation declined significantly and the fiscal position improved relative to 2012.

3. Performance under the program at end-June was good, and we met all but one end-June 2016 performance criteria and all but one indicative targets (Table 1). Net domestic bank credit at end-June was Le 446 billion, lower than the adjusted target of Le 580 billion. Net domestic assets of the central bank was Le 278 billion; which is Le 105.5 billion less than the adjusted

target of Le 383 billion. Gross foreign reserves of the central bank at June 2016 declined by US$52.5 million, which is US$12.08 million less than the adjusted program floor. The continuous ceilings on short-term external debt owed or guaranteed by the public sector, and on external payment arrears of the public sector were observed, while the continuous ceiling on NPV of external debt was breached (see paragraph 5 below). Spending on poverty-related expenditure reached Le 785 billion, exceeding the indicative target by Le 161 billion. Indicative targets on domestic government revenue was met, but that on domestic primary balance was missed.

4. However, in the second half of 2016 we have struggled to keep fiscal operations on track. While total domestic revenue and grants revenue exceeded program by Le 15 billion, the higher than programmed performance reflects the receipt of about US$30 million in capital gains tax from the sale of the telecoms company, Airtel. Some revenue categories underperformed due to delays in the implementation of the Finance Act of 2016 earlier in the year, and much lower than expected collection from the liberalized telecoms gateway. In addition, a decline in petroleum excise collection, due to delay in the implementation of petroleum price unification, as well as exemptions granted to key road construction companies from payment of excise on petroleum uplift contributed to the decline. Out of programmed external budget support of Le 404 billion for the year, only Le 341 billion will be realized due in part to technical difficulties in meeting donor criteria, and in part to one donor reducing its pledge. On the expenditure side, total expenditures and net lending is projected to exceed the program by Le 5 billion. Goods and services exceeded the revised budget, especially for the procurement of emergency and free-health care drugs and medical supplies as part of the Ebola recovery strategy. The financing gap created in our 2016 budget will be filled through expenditure cuts.

5. We did however miss the continuous performance criterion on the net present value of new external debt. The non-observance occurred as we contracted two loans, and assumed a debt obligation under a third transaction. The two loans were a $50.34 million (NPV) Transmission Line and Substation Project loan from India EXIM Bank, and a $8.42 million (NPV) Regional Disease Surveillance Systems Enhancement Project, from IDA. In addition, in July 2016 the government of Sierra Leone (GOSL) assumed responsibility for a debt obligation owed to Securiport, an airport security management company.[1] These three debt obligations were

[1] The original contract signed by GOSL with Securiport in March 2012 only required GOSL to pass a directive requiring airlines operating at the international airport to collect a fee from passengers which would cover the costs of services provided by Securiport. It did not create a debt obligation for the government. However, the inability of the line ministry to enforce fee collection by the airlines led to the accumulation of arrears to Securiport, which the company claimed had reached $19.8 million as of July 2016 GOSL assumed the Securiport obligation at a discounted amount of $12 million. GOSL paid $3 million in August, with the remaining $9 million amortized in quarterly payments till 2019. Furthermore, we have notified the airlines of our intension to enforce the directive of collection of fees from passengers beginning January 1st 2017.

contracted after the completion of the 5th review, and bring total new debt since July 2015 to roughly $138 million in NPV terms. At the time of contracting these new debts, it was our understanding that we had room for external borrowing up to $150 million in NPV terms (since July 2015) while keeping our risk of external debt distress moderate. Given the relatively small amount of the additional borrowing, and the fact that we have remained within safe borrowing limits, we request a waiver of non-observance of this PC.

6. We made progress in the implementation of some structural benchmarks (Tables 2 and 3). The consolidated tax and nontax obligations for mining companies as well as a list of expired mining agreements has been prepared. Implementation of structural benchmarks aimed at improving the revenue base are on track. We have achieved some success in reducing discretionary waivers and broadening of the tax base as a result of the close scrutiny of duty waiver requests; and requiring parliamentary approval of any new waivers. Most monetary and financial sector benchmarks were met. We completed the procurement process for the diagnostic audit of two state-owned banks in October. On business environment improvement, the procurement process for the migration to ASYCUDA World is now progressing with World Bank support.

7. There were challenges in meeting some structural benchmarks and revenue measures within the specified time frame. The revised medium-term wage and pay reform strategy paper, a key element of our fiscal risk mitigation was considered by Cabinet, but they requested an expanded analysis to cover the entire public sector. Following resolution of the contentious issues in the PFM Bill and its passage, we commenced the implementation of Treasury Single Account, but have since discovered that we need more time to resolve issues relating to technology, banking procedure and regulations. The establishment of the Natural Resource Revenue Fund was held up by delays in the development of PFM Act regulations. The Tax Administration Bill is currently undergoing legal drafting and will be submitted to Parliament in October. Finally, we have requested TA for the preparation of a contingent manual for supervisory action in the event of systemic banking distress. We are fully committed to continue the implementation of these measures, and to completing early in the New Year.

8. Notwithstanding the good program performance, we recognize that our economy remains vulnerable, and the structural reform agenda remains unfinished. Fiscal operations are complicated by the declining trend in donor support and increased fiscal pressures to address post-Ebola needs, as well as the longer term development agenda. Monetary policy is contending with the second round impact of exchange rate depreciation on prices. On the external sector, we are witnessing a slower than anticipated improvement in external balances. Responses to these emerging threats are compounded by the delay in the implementation of structural reform policies that would have moderated their impact. Therefore, our main objectives going forward are to maintain fiscal sustainability, reduce inflation, strengthen our international reserve buffers, address infrastructure bottlenecks and promote economic

diversification and poverty reduction. To achieve these goals and safeguard macroeconomic stability, we have resolved to continue the pursuit of prudent policies, notwithstanding the end of the current arrangement.

9. Fiscal policy will seek to safeguard sustainability while pursuing the ideals set out in our Agenda for Prosperity. Our immediate priority is to increase our revenue base, while reigning in expenditure. We are optimistic that the current rising trend in iron ore prices will facilitate the reopening of the second mine, and hence increased production and higher related revenues than envisaged in the program. We have commenced the application of GST tax to electricity bill, and we resolved to improve revenue collection from telecom gateway liberalization through the use of international monitoring agents. We have reformed the fuel pricing mechanism on November 11, 2016, to avoid the need for explicit subsidies, to reinstate excises and import duties on retail fuel, and will allow full pass through from July 2017. We have also significantly increased the excise on commercial fuel.

10. These factors all key components of our 2017 budget, which was submitted to Parliament on November 11. This budget targets an increase in revenues, based on the measures discussed above, by 1.3 percent of GDP compared to 2016, and net domestic financing of 2.1 percent of GDP, in line with our plans at the time of the last review. Going forward, we will focus on the findings of the IMF TADAT mission, in order to understand how best to increase revenue collection. At the same time, we will continue to rein in wage bill increases and other expenditures. We are optimistic that given the provisions of the new PFM Act, we are in a better position to maintain the required fiscal discipline. The expected improvement in revenue collection and expenditure controls and management should result in a more sustainable fiscal stance in the medium term.

11. Monetary policy will continue to be geared toward price stability. In 2016, inflationary pressures are largely driven by ongoing depreciation of the domestic currency. While we cannot prevent shocks to domestic prices, BSL will remain attentive to potential risks from second round price pressures, and will tighten monetary policy if necessary to achieve our inflation target. We have also decided to target 2017 broad money growth at 3.4 percent lower than we had planned at the time of the last review. BSL will continue to enhance the effectiveness of monetary policy operations, as well as liquidity management, through the use of money market operations, via lending and standing deposit facilities. BSL will also strengthen its own capacity to forecast liquidity on a daily basis, with close cooperation from the Ministry of Finance and Economic Development. In this regard, the newly introduced interest rate corridor system will facilitate our policy operations.

12. We note that the operations of the foreign exchange market in recent times has inadvertently given rise to a wide gap between the BSL official rate and the auction market rate which constitutes a multiple currency practice, in contravention of our obligations under IMF's

Article VIII. In this regard, we have taken remedial measures to improve the organization of the auction market to ensure that demand and supply conditions in the market determine the exchange rate, thereby eliminating the multiple currency practice. In addition, we will not in any way signal to banks what rate we would like them to bid in the auction. We hereby request a waiver of nonobservance of this requirement. Going forward, our exchange rate and market policy will be transparently implemented. Exchange rate policy will be geared towards correcting short run volatility in the market through periodic wholesale foreign exchange activities.

13. Our financial sector policies will focus on improving the safety and soundness of the banking system, while remaining vigilant to changes in the quality of the loan portfolio. In the recent past, we introduced a Loan Write-Off Policy Directive which allowed banks to clean their balance sheets. In addition, the introduction of the Collateral Registry and the proposed Credit Administration Bills should improve the standards of credits. Some supervisory actions have also been taken, such as putting a cap on lending, and ensuring adequate provisions on non-performing facilities. We will review any issues likely to emerge from the diagnostic study, and develop an implementation plan. To further strengthen our supervisory abilities, we have requested that the IMF's MCM department provide us with a long-term resident banking supervision expert.

14. Our borrowing plans will remain anchored on ensuring debt sustainability. Given the uncertain outlook, particularly in the iron ore sector, the government will give priority to grants and concessional borrowing to finance investment projects. However, we recognize that the level of public debt and the associated debt service payments are crowding out key priority expenditures necessary for supporting the post Ebola socio-economic recovery. In this regard, government will work with the World Bank to seek additional debt relief from commercial creditors. Finally, only the most critical projects, for which grants and concessional financing are not available, will be undertaken with non-concessional financing, and then only after ensuring that the resultant debt will not harm the country's debt sustainability. In particular, we will not contract loans that would move the country into high risk of debt distress. Borrowing from the Government securities market will be guided by the medium-term debt management strategy. The government will continue to signal its borrowing needs through the publication of a quarterly borrowing calendar.

15. Even with these prudent policies, the macroeconomic outlook for 2017 and the medium term is fraught with some risks. Growth is estimated to reach 5.4 percent, reflecting a moderate recovery in iron ore production and prices, and favorable developments from the agriculture and service sectors. Inflation is projected at 10.5 percent, partly due to depreciation pressures, and to reflect a tighter monetary policy stance. We estimate that we will accumulate around US$28 million in reserves. Our external financing gap is estimated at around US$152 million. These projected developments underscore the fact that even though the program has achieved its objectives, we remain vulnerable to shocks. Therefore, we intend to continue implementing

the reform agenda. Looking forward, we wish to start discussions on a possible successor arrangement in the coming months.

16. In consideration of the completion of the sixth review, we hereby request disbursement of the last tranche, based on overall performance and the government's policy intentions going forward. We will consult with the IMF on the adoption of any additional measures and in advance of revisions to policies contained herein, in accordance with IMF policies on such matters.

17. In line with our commitments to transparency in government operations, we authorize publication of this letter, and the staff report, including placement of these documents on the IMF website, in accordance with IMF procedures.

Very truly yours,

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

Attachment I. Technical Memorandum of Understanding—Arrangement Under the Extended Credit Facility, 2013–16.

Table 1. Sierra Leone: Quantitative Performance Criteria and Indicative Targets for 2016

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

	2016							
	Mar. 2/				Jun. 1/			
	Prog.	Adj. Prog.	Prelim	Status	Prog.	Adj. Prog.	Prelim.	Status
Performance criteria 1/ 2/								
Net domestic bank credit to the central government (ceiling)	316	347	201	Met	556	580	450	Met
Unadjusted target (ceiling)		316				556		
Adjustment for the shortfall (excess) in external budget support		68				108		
Adjustment for the issuance of government securities to the nonbank private sector		-38				-84		
Net domestic assets of the central bank (ceiling)	119	187	144	Met	275	383	278	Met
Unadjusted target (ceiling)		119				275		
Adjustment for the shortfall (excess) in external budget support		68				108		
Gross foreign exchange reserves of the central bank, US$ millions (floor)	-15	-26	-30	Not Met	-11	-65	-53	Met
Unadjusted target (floor)		-15				-11		
Adjustment for the shortfall (excess) in external budget support 3/		-12				-19		
Adjustment for the shortfall in the US$ value of IMF disbursement		0				-35		
Adjustment for the increase (decrease) in BSL short-term foreign currency liabilities		1				1		
Present Value of New External Debt (ceiling) 4/ 7/ 9/	70				70		69	Met
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	Met
External payment arrears of the public sector (ceiling) 3/	0				0		0.0	Met
Indicative target								
Total domestic government revenue (floor)	619		649	Met	1305		1369	Met
Poverty-related expenditures (floor)	281		537	Met	624		785	Met
Domestic primary balance (floor)	-305		-524	Not Met	-643		-678	Not Met
Memorandum items:								
External budgetary assistance (US$ million, cumulative flow from the start of the year) 5/	12.6		0.5		19.7		0.5	
Net credit to government by nonbank sector 6/	0.0		38		0.0		84	
ECF disbursements (US$ millions, cumulative flow from the start of the year)	0.0		0.0		35.4		0.0	
Exchange rate (Leones/US$) 8/	4953		4953		5639		5639	

1/ The performance criteria and indicative targets are defined in the Technical Memorandum of Understanding (TMU) of the 5th Review; end-December and end-June target are performance criteria.

2/ End-March is an indicative target.

3/ These apply on a continuous basis.

4/ The performance criteria on the ceiling on new nonconcessional external debt was replaced by the ceiling on the Present Value of New External Debt, following the IMF Board approval on November 16, 2015

5/ Including grants and loans.

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

7/ Cumulative from July 1, 2015. The Present Value of New External Debt is applied on continuous basis.

8/ New program exchange rate applies for 2016 is Le 5639.10/US$, reflecting end December 2015 actual rate.

9/ The continous PC on present value of new external debt ceiling was not observed after end-June.

Table 2. Sierra Leone: Prior Actions and Structural Benchmarks Under the ECF Arrangement, 2016

Measures	Timing	Status
Prior Actions		
• Submission to parliament of 2017 budget consistent with the deficit target in the June 16, 2016 staff report.		Met
• Signing a contract for diagnostic studies of the two state-owned banks.		Met
Expenditure and Debt 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.	End-June	Not met.
• Prepare a monthly rolling Treasury Cash Flow table consistent with the 2016 budget	Continuous	Met.
• Prepare a semi-annual report on PIP execution.	Continuous	Met.
Monetary Operation		
• Establish a primary dealer agreement system for government securities market.	End-June	Met.
• Introduce a daily liquidity forecasting framework	End-March	Met.
• Finalize draft of BSL's rules governing the operations of the interbank foreign exchange market.	End-June	Met.
Financial Sector Development		
• Complete the independent diagnostic study report for Rokel Commercial Bank and Sierra Leone Commercial Bank	End-March	Not met.
• Establish a registry of moveable collateral.	End-March	Met.
• Prepare an internal BSL contingent manual to guide identification and step-by-step supervisory actions in the event of specific or systemic banking distress.	End-June	Not met.
Business Environment		
• Begin the migration from ASYCUDA ++ to ASYCUDA World as the next step for introducing a one-stop window.	End-June	Met.

Table 3. Sierra Leone: Structural Benchmarks Under the ECF Arrangement, 2016

Measures	Timing	Status
Revenue Mobilization		
• Establish a Natural Resource Revenue Fund with legal and procedural characteristics consistent with the new PFM Bill.	End- June	Not met.
• Establish a Treasury Single Account (TSA), and streamline NRA's transition accounts.	End-June	Not met.
• Introduce a new Tax Administration Act.	End-June	Not Met.
• Review the consolidated tax and non-tax obligations for mining companies, and prepare a list of all expired mining agreements.	End-June	Met.
Monetary Operations		
Link the operation of the daily liquidity forecasting framework to monetary policy actions.	Continuous	Met.
Expenditure Management		
• Prepare a monthly rolling Treasury Cash Flow table consistent with the 2016 budget.	Continuous	Prepared on a biweekly basis to improve traction. to improve traction. Met
Financial Sector Development		
• Complete the contracting process for an independent diagnostic study report for Rokel Commercial Bank and Sierra Leone Commercial Bank.	End-June	Not Met. Completed with delay

Attachment I. Technical Memorandum of Understanding—Arrangement Under the Extended Credit Facility, 2013–16

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 (ITs) will be evaluated in terms of cumulative flows from the beginning of the period.

2. **Program exchange rates**.[1] For the purpose of the program, foreign currency denominated values for 2016 will be converted into Sierra Leonean currency (leone) using a program exchange rate of Le 5639.10/US$ and cross rates as of end December 2015.[2]

Sierra Leone: Program Exchange Rate for ECF Arrangement
Cross Rates as of December 31, 2015

Currency	Sierra Leonean leones per currency unit	US dollars per currency unit
US dollar	5639.10	1.0
British pound sterling	8356.58	1.48
Japanese yen	46.84	0.008
Euro	6142.11	1.09
SDR	7814.27	1.39

Source: International Financial Statistics.

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

[2] For calculating program targets for 2016, all end 2015 stock variables will be based on program exchange rate of Le 5639.10/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 (BSL) are defined as reserve assets of the BSL. Reserve assets are defined in the IMF's *Balance of Payments Manual* (5th 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 U.S. dollars equivalent cumulative shortfall (excess) in programmed external budgetary assistance;[3] (b) downward (upward) for any cumulative 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 BSL 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 BSL and the BSL 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.

6. **Adjustment clauses**. The ceiling on changes in NDA of the BSL 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.

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

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 BSL, including: (a) treasury bills and bonds, excluding holdings of special bonds provided by government to cover BSL losses (Le 357.5 billion) and to increase its capital (Le 75 billion); (b) ways and means; and (c) any other type of direct credit from the BSL to the government, including the special on-lending arrangements relating to the augmentation of access under the ECF arrangement in 2014 2015 and 2016; 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 by the leone value of the shortfall 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 BSL. 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. Present Value of New External Debt Contracted or Guaranteed by the Public Sector with an Original Maturity of One Year or More

12. **Definition**. The present value (PV) of public external debt is equal to the sum of all future debt service payments (principal and interest), discounted to the present using a discount rate of 5 percent. The PV is calculated using the IMF concessionality calculator and will be based on the loan amount contracted in a given year. Specifically, it will be assumed that all new loans contracted are fully disbursed at the time when they are contracted. For loans with a grant element of zero or below zero, the PV will be set equal to the nominal value of the loan. The ceiling on the PV of new external debt will be applied on a continuous basis from July 1, 2015.

13. New external debt is 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. The term "**debt**" is as defined in paragraph 8(a) of the Guidelines on Public Debt Conditionality in Fund Arrangements attached to Executive Board Decision No. 15688-(14/107), adopted December 5, 2014, but also includes contracted or guaranteed commitments for which values have not been received. For purposes of these guidelines, the term "debt" is understood to mean a current, that is, 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.

14. For program purposes, the debt is deemed to have been contracted when it is signed by the government of Sierra Leone. Excluded from this PC are disbursements from the IMF and those debts subject to rescheduling. 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

15. **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

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

B. Domestic Revenue of Central Government

17. **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

18. **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

19. 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. 8 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