

June 1, 2020

**Statement by Mr. Mahlinza and Mr. Nakunyada on Sierra Leone  
Executive Board Meeting  
June 3, 2020**

**Introduction**

1. Our Sierra Leonean authorities appreciate the Fund's prompt response to their request for emergency financing under the Rapid Credit Facility (RCF). They consider the RCF as instrumental in catalyzing donor support from other development partners.
2. Sierra Leone has been severely impacted by the Coronavirus Disease (COVID-19) outbreak, which comes five years after the devastating effects of the Ebola virus. With the economy still recovering from the 2014 commodity price slump and intermittent climate disasters, which have created deep macroeconomic imbalances, COVID-19 threatens to reverse the impressive progress made in recent years. Against this backdrop, the authorities request emergency financial support under the RCF in the amount of SDR 103.7 million, equivalent to 50 percent of quota to address urgent balance of payments needs. The authorities are also seeking additional resources from other development partners, including debt service relief under the G20 Debt Service Suspension Initiative (DSSI). That said, they stand ready to seek additional emergency support from the IMF if the shock turns out to be more severe and prolonged than anticipated.
3. To ensure effective and transparent use of COVID-related resources, the authorities have put in place measures to manage and monitor spending. They have established a dedicated COVID-19 Fund at the Bank of Sierra Leone (BSL) which is being implemented with Fund TA support. Moreover, they plan to publish on the government's website, large public procurement contracts related to crisis mitigation, including the names of the companies awarded contracts, their beneficial owners, and ex-post validation of delivery. In addition, the Audit Service Sierra Leone (ASSL) will conduct ex-post audits on the management of government's COVID-19 Fund and the broader pandemic response. The assessments will be published online, consistent with the provisions of the 2016 Public Financial Management Act. At the same time, the Anti-Corruption Commission's COVID-19 Transparency Taskforce and the ASSL will play an instrumental role in ensuring integrity, accountability, and transparency in the use and management of COVID-19 related funds. The

authorities also stand ready to undergo an updated safeguards assessment ahead of subsequent Fund arrangements.

### **Impact of the COVID-19 Pandemic**

4. Since the first confirmed case of COVID-19 was reported on March 31, 2020, the case load has continued to increase, reaching levels above 700 at end May 2020. Going forward, the numbers are likely to continue rising as work to enhance the testing capacity intensifies, placing a heavy burden on the weak health system with heightened uncertainty and risks to the outlook.

5. The outbreak of the pandemic and consequent implementation of containment measures has disrupted activity in the manufacturing and construction sectors. Similarly, trade, tourism, and other services sectors which account for about 40 percent of GDP, are expected to contract sharply. Consequently, economic growth is projected to decline by over 7 percentage points to -3.0 percent in 2020, compared to the pre-COVID-19 estimate. At the same time, the downturn in international metal prices as well as delayed investments will further constrain mining activity and depress export receipts. Further, delays in project disbursements, declining remittances, and elevated imports of food and medical supplies, have also exerted substantial pressure on the balance of payments. Moreover, the contraction in external and domestic economic activity has depressed revenue mobilization by an estimated 1.8 percent of GDP, in the context of elevated health expenditures. As a result, the fiscal deficit is estimated to widen by 4.9 percentage points in 2020 compared to the pre-crisis estimate.

### **Interventions and Policy Responses**

6. Leveraging on the experience of the Ebola health crisis, the authorities have established a governance structure to coordinate the COVID-19 response and engage development partners and other stakeholders. In this context, they have implemented national emergency measures, since the first COVID-19 case was recorded. Key containment measures include restricting gatherings, closure of land borders, suspension of international passenger flights, and shutting down of education institutions. The authorities have also activated the Public Health Emergency Operations Center to intensify contact tracing, disease surveillance, and testing, while revamping isolation and treatment facilities. They have also developed an economic response plan, the Quick Action Economic Response Program (QAERP). The intervention measures under QAERP, which is being rolled out, are largely geared at cushioning the impact of the crisis on businesses and households. In collaboration with the World Health Organization and other development partners, government also prepared the COVID-19 Preparedness and Response Plan for the health sector.

7. Consistent with the objectives of the National Development Plan (NDP) to protect the most vulnerable and invest in the health of Sierra Leoneans, the authorities have ramped up expenditure on social protection and public works. Further, in collaboration with the World Bank and other development partners, the authorities are providing cash transfers to families of people with disability, vulnerable workers, and low-income earners in the informal sector. The authorities also seek to support economic activity, particularly in the poorest areas of the country, by re-orienting non-essential expenditures in the national budget. At the same time,

they plan to leverage budget resources ear-marked for on-going projects to shore-up private sector activity and create employment. Furthermore, they intend to introduce import tax deferrals to facilitate importation of essential goods.

8. To mitigate the impact of the COVID-19 pandemic and cushion vulnerable businesses, the BSL has implemented several accommodative monetary policy measures including cutting the policy rate. They have maintained a flexible exchange rate to absorb external shocks. In addition, the central bank has established a Le 500 billion Special Credit Facility to provide finance for the production, procurement, and distribution of essential goods and services. To ease liquidity conditions in financial markets, the reserve requirement maintenance period for commercial banks was also extended. Looking forward, the BSL will continue to closely monitor banks' asset portfolio and apply IFRS9 provisioning to restructured loans. Further, the authorities are advancing governance reforms at the BSL to enhance financial sector oversight.

### **Post Crisis Measures**

9. The authorities remain committed to the medium-term policy objectives of the ECF-supported program. In this regard, they are determined to resume growth-friendly fiscal consolidation efforts to restore fiscal and debt sustainability once the crisis abates. Concurrently, they will continue to seek grant and concessional resources and non-debt creating capital inflows. In addition, the authorities intend to pursue both revenue enhancing and expenditure rationalization measures to consolidate the gains made under the ECF program. The BSL will also strengthen monetary policy implementation to bring down inflation; seek to build FX reserves; strengthen central bank governance; and deepen the financial sector, while enhancing the bank regulatory and supervisory framework. Further, the authorities will accelerate key structural reforms to promote good governance, develop human capital, intensify the fight against corruption, and improve the business environment. At the same time, the authorities will continue to leverage Fund technical support in strengthening the reporting of securities previously issued to clear arrears.

### **Conclusion**

10. Our Sierra Leonean authorities reaffirm their commitment to sustained implementation of prudent macroeconomic policies to lay a solid foundation for accelerated, durable, and inclusive growth, once the pandemic abates. They view policy efforts to unlock the country's growth potential as important to help the attainment of the key development objectives, articulated in the NDP. The authorities look forward to Executive Directors' support for emergency financing under the RCF to anchor on-going efforts to contain the spread of the pandemic and limit its impact on the economy.