FOR AGENDA

SM/83/200

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INFORMATION

September 7, 1983

To: Members of the Executive Board

From: The Secretary

Subject: Sierra Leone - Staff Report for the 1983 Article IV Consultation

Attached for consideration by the Executive Directors is the staff report for the 1983 Article IV consultation with Sierra Leone. A draft decision appears on page 27.

It is proposed to bring this subject to the agenda for discussion on Wednesday, October 5, 1983.

If Executive Directors have technical or factual questions relating to this paper prior to the Board discussion, they should contact Mr. Enweze (ext. 74973).

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INTERNATIONAL MONETARY FUND

SIERRA LEONE

Staff Report for the 1983 Article IV Consultation

Prepared by the Staff Representatives for the 1983 Consultation with Sierra Leone

Approved by J.B. Zulu and S. Kanesa-Thasan

September 7, 1983

I. Introduction

The 1983 Article IV consultation discussions with Sierra Leone were held in Freetown during the period June 8-24, 1983. At the request of the Sierra Leonean authorities, a staff team returned to Freetown during the period July 27-30, following the authorities' implementation of a number of key policy measures which had been discussed with the earlier mission in June. The Sierra Leonean representatives included the Honorable Salia Jusu-Sheriff, Minister of Finance; Dr. J.S.A. Funna, Governor of the Bank of Sierra Leone; Mr. V.A.W. Nylander, Financial Secretary; Mr. J.T.S. Wright, Deputy Governor of the Bank of Sierra Leone; and other senior officials concerned with economic and financial matters. During the discussions in June the staff representatives were Mr. Enweze (head-AFR), Mrs. Mitchell (ETR), Mr. Fetherston (FAD), Mr. Dublin (AFR), Mr. Yao (BUR), and Ms. Buggs (secretary-AFR); the July staff team comprised Messrs. Enweze (head), Sukachevin (ETR), Fetherston, and Dublin. Mr. Kakoza, Fund resident representative in Sierra Leone, also participated in both the June and the July discussions. In June Mr. Sangaré, Executive Director for Sierra Leone, attended some of the principal policy meetings.

In the course of the June mission, Messrs. Enweze and Kakoza were received by the Acting President, the Honorable S.I. Koroma; Mr. Enweze, accompanied by Mr. Kakoza, was also invited to address a formal session of Sierra Leone's Cabinet. During the July staff visit Mr. Enweze was received by the President, His Excellency Siaka P. Stevens.

The three-year extended arrangement that the Fund approved in March 1981, in support of Sierra Leone's medium-term program of economic and financial adjustment (EBS/81/61), was augmented from SDR 163.7 million (352 percent of quota) to SDR 186.0 million (400 percent of quota) when the enlarged access policy came into effect (EBS/81/61, Supplement 2). However, the arrangement became inoperative after two purchases totaling SDR 33.5 million because most of the performance criteria for end-June 1981 were not observed, and the first review of the program, which was scheduled for completion by end-July 1981, was not concluded. At the request of the Sierra Leonean authorities, the arrangement was canceled

on April 6, 1982. Beginning in 1982, at the request of the Sierra Leonean authorities, discussions took place between the staff and the authorities as a result of which the authorities implemented measures in the areas of fiscal and exchange rate policy. Subsequently, on February 14, 1983 the Executive Board approved Sierra Leone's request for a purchase under the compensatory financing facility (CFF) of SDR 20.7 million (44.5 percent of quota) in respect of an export shortfall for the year ended June 1982 (EBS/83/14); this amount represents all of Sierra Leone's total access to the CFF.

Sierra Leone has consented to the proposed increase in its quota to SDR 59.6 million under the Eighth General Review of Quotas.

Sierra Leone continues to avail itself of the transitional arrangements of Article XIV.

Summaries of Sierra Leone's relations with the Fund and the World Bank Group are provided in Appendices I and II, respectively.

II. Performance Under the 1980/81 Program and Recent Economic Developments 1/

In early 1981 the Sierra Leonean Government embarked on a program of structural adjustment covering the period 1980/81-1983/84 (July-June); the initial year of the program was envisaged as a transition from the stabilization-oriented policies followed under an earlier 1979/80 stand-by program.

However, performance under the program in 1980/81 2/ was not satisfactory; adverse external developments invalidated some of the major assumptions underlying the program, and there were also slippages in policy implementation. Real GDP rose more slowly than anticipated, and, real domestic demand, instead of declining fractionally as envisaged, remained unchanged. Despite a number of new tax measures, total budgetary receipts fell short of the program level by about 6 percent, reflecting in part the adverse impact of lower export receipts. Moreover, despite an accumulation of arrears on external debt service payments, government expenditure exceeded the programmed level by 18.5 percent, largely due to continued extrabudgetary outlays. The overall government deficit (cash basis), which amounted to Le 154 million

1/ A detailed review of Sierra Leone's performance under the 1980/81 program and economic and financial developments up to 1981/82 are contained in the staff report on the 1982 Article IV consultation with Sierra Leone (SM/82/94); these are summarized here.

2/ Covering the fiscal year July-June.

(11.5 percent of GDP), compared with a program target of Le 80 million (5.5 percent of GDP), was financed mainly by domestic bank borrowing. Consequently, while the implicit private sector credit limits were observed, the limits on total domestic credit were substantially exceeded: private sector credit rose by 22.4 percent, but total domestic credit, which was programmed to increase by 22.9 percent, rose instead by 39.5 percent. Since net foreign liabilities of the banking system increased much more rapidly than had been foreseen, money supply, broadly defined, rose by 3.6 percent, or far less than the program projection of 13.6 percent. Partly for this reason, the inflation rate (as measured by the consumer price index for Freetown), which was programmed at 18 percent, moderated to some 14 percent in 1980/81.

Export earnings fell short of the projected level by about 27 percent because the volume and prices of most major exports were much lower than envisaged. Thus, although imports fell more than programmed, and net transfer receipts were higher than anticipated, the current account deficit amounted to SDR 127.1 million (13.0 percent of GDP), compared with a program target of SDR 113 million (10.6 percent of GDP). Net capital inflows were also lower than had been foreseen, and the overall balance of payments deficit of SDR 122.2 million exceeded the program target by SDR 51.6 million. External payments arrears, which were programmed to rise temporarily by SDR 5 million, rose by SDR 58.4 million. The performance criterion on external borrowings in the one-to-five years' maturity range was also not met. Efforts to initiate substantive corrective action were largely stalled by failure to reach agreement with the Fund on the exchange rate question, and the extended arrangement became inoperative in July 1981.

The deterioration in the economic and financial situation continued in 1981/82 and 1982/83. Provisional estimates for 1981/82 and projections for 1982/83 indicate that Sierra Leone's real GDP may have declined, marginally, over the two-year period ended 1982/83; at best real GDP has remained broadly stagnant. Total diamond production (measured by official purchases of diamonds), which fell by 29.6 percent in 1981/82, rose by about 21.7 percent in 1982/83 to some 382,000 carats; however, at this level, total production was still 14.3 percent below the lowest level of output in the previous six years of 446,000 carats, which was reached in 1980/81. In the agricultural sector, except for cocoa, the output of which rose in 1982/83, the output (measured by official purchases) of other major agricultural crops (coffee and palm kernels) declined steadily in both 1981/82 and 1982/83; indications are that rice production remained broadly constant, entailing continued large imports of rice.

The overall government deficit (cash basis) reached Le 160.8 million (10.3 percent of GDP) in 1981/82 (Table 1), with some Le 140 million of this financed through the banking system; in addition there was a further substantial accumulation of domestic arrears amounting to about Le 41 million (almost 2.6 percent of GDP). Provisional estimates for 1982/83

Table 1. Sierra Leone: Selected Economic and Financial Indicators, 1978/79-1982/83 1/

	1978/79	1979/80	1980/81	1981/82	1982/83
	(Annual percent change, unless otherwise specified)				
Income and expenditure					
GDP at constant factor cost	6.0	4.1	0.5	--	--
GDP at current market prices	21.1	12.3	15.8	17.0	27.5
Gross domestic expenditure at current prices 2/	24.8	19.7	13.5	16.5	20.6
Consumer prices (average)	14.1	19.3	13.7	26.3	37.0
External sector					
Exports, f.o.b.	-12.3	44.7	-25.7	-9.9	-7.9
Imports, f.o.b.	31.1	24.3	-10.4	2.0	-24.9
Oil imports, f.o.b.	69.0	37.1	25.7	68.6	-34.6
Diamond export volume	9.1	-20.5	-32.9	-29.4	21.3
Terms of trade (deterioration -)	-26.1	9.8	-11.1	-3.3	6.6
Nominal effective exchange rate 3/ (depreciation -)	-4.2	-5.4	0.4	4.7	...
Real effective exchange rate 3/ (depreciation -)	0.6	-2.1	5.0	23.5	...
Government finance					
Total revenue and grants	8.3	10.3	18.9	-9.6	-12.1
Total expenditure	20.6	15.1	14.5	-4.0	22.9
Money and credit					
Domestic credit	35.5	21.4	39.5	31.9	39.4
Government	36.3	28.1	44.7	38.1	44.3
Private sector	33.3	3.8	22.4	7.8	15.3
Money and quasi-money (M_2)	28.3	16.7	3.6	25.5	36.0
Velocity (GDP relative to M_2)	4.8	4.6	5.2	4.8	4.5
Interest rate 4/ (annual rate on one-year deposits)	8.5	11.5	11.5	11.5	11.5
	(In percent of GDP, unless otherwise specified)				
Overall government deficit (cash basis)	11.3	12.3	11.5	10.3	13.5
Overall government deficit (commitments basis)	11.3	12.3	13.3	12.9	11.4
Domestic bank financing	5.7	4.8	8.5	8.9	11.3
Foreign financing	4.5	6.1	2.4	2.0	2.0
Gross domestic investment 2/	13.4	16.3	13.5	11.6	8.6
Gross domestic savings	5.2	0.9	0.4	-1.0	2.1
External current account deficit	17.8	15.7	13.0	13.9	8.4
Balance of payments deficit	6.5	5.4	12.5	10.5	4.8
External debt 4/	29.5	31.2	30.4	26.9	28.9
Inclusive of use of Fund credit 4/	31.1	34.3	33.2	30.8	34.0
External debt service 3// Exports	33.7	24.8	40.5	40.3	46.8
External current account deficit (millions of SDRs)	131.5	131.9	127.1	158.7	104.7
Balance of payments deficit (millions of SDRs)	47.9	45.6	122.2	120.2	60.0
Gross official foreign reserves 4/ (months of imports)	1.5	1.3	0.8	0.5	0.6
External payments arrears 4/ (millions of SDRs)	38.6	54.7	113.3	199.5	222.8

Sources: Data provided by the Sierra Leonean authorities; and staff estimates.

1/ Fiscal years July/June.

2/ Includes changes in stocks.

3/ Trade-weighted.

4/ End of period.

indicate that the overall deficit (cash basis, and including a reduction of Le 49 million in domestic arrears) rose substantially to Le 269.7 million (about 13.5 percent of GDP), compared with a budgeted amount (including a proposed reduction in arrears of Le 30 million) of Le 174.9 million (about 8.8 percent of GDP). Similarly, bank financing of the deficit, which, inclusive of the reduction in domestic arrears, was budgeted at Le 130 million (6.5 percent of GDP), rose sharply instead to Le 224.8 million (about 11.3 percent of GDP), or 69.3 percent of the beginning broad money stock.

The rate of increase in credit to the private sector remained moderate in 1981/82, rising by only 7.8 percent compared with an increase of 22.4 percent in the previous year; however, in 1982/83 the rate of increase accelerated to some 15.3 percent. The net foreign assets of the banking system deteriorated less sharply than in 1981/82. Money supply, broadly defined, which rose by 25.5 percent in 1981/82, rose by a further 36.0 percent in 1982/83. The inflation rate has accelerated in each of the past two years; after increasing by about 26 percent in 1981/82, the consumer price index rose by about 37 percent in 1982/83.

In the external sector, although imports were relatively stable in nominal terms in 1981/82, recorded exports declined still further by about 9.9 percent (Table 1). As a result, the current account deficit in the balance of payments amounted to some SDR 158.7 million (13.9 percent of GDP), and the overall balance of payments deficit of SDR 120.2 million was financed, as in the previous year, largely by an increased accumulation of arrears and partly by a drawdown of reserves. For 1982/83, staff estimates indicate that recorded exports fell further by about 7.9 percent, and that imports declined by about 24.9 percent. Consequently, the current account deficit fell to SDR 104.7 million (8.4 percent of GDP), as did the overall balance of payments deficit to SDR 60 million, about 4.8 percent of GDP. The overall deficit was financed largely through a further accumulation of arrears, debt relief, and a drawing under the compensatory financing facility.

As of end-June 1983, Sierra Leone's outstanding external public debt (excluding use of Fund resources and external payments arrears) amounted to about SDR 359.4 million, or to SDR 422.3 million, including use of Fund resources. Since over one quarter of the debt is in the form of short-term suppliers' credits, the debt profile is unfavorable, and debt servicing remains a serious problem. In addition, there is a large amount of outstanding external payments arrears, estimated, as of end-March 1983, at about SDR 222.8 million, or about twice the value of estimated 1982/83 exports; of this amount, about SDR 134 million constitute commercial arrears. Sierra Leone's gross reserves are now virtually depleted; at end-June 1983 they stood at SDR 9.8 million, or 2.7 weeks of 1982/83 imports. Sierra Leone's debt service burden in 1982/83 (including repurchases to the Fund) is estimated at about 50 percent of exports.

Since early 1981 the real import-weighted exchange rate of the leone appreciated sharply, and by December 31, 1982 was 38.4 percent above its 1975 average level. Effective December 17, 1982, a dual exchange rate system was introduced under which approximately half of Sierra Leone's total foreign exchange transactions were to be effected in a commercial market, where the rate was to be determined by the forces of supply and demand in the context of fortnightly foreign exchange auctions (EBS/82/240). During these auctions, the rate struck remained in the narrow range between Le 2.40 = US$1.00 and Le 2.50 = US$1.00. Effective July 1, 1983, Sierra Leone unified the official and commercial rates of exchange for the leone at the rate of Le 2.50 = US$1.00; this rate implies a devaluation of 49.7 percent (100 percent in local currency terms) of the exchange rate (EBS/83/149).

III. Report on the Discussions

Sierra Leone's economic and financial situation continued to deteriorate in 1982/83: economic growth remained stagnant; fiscal and monetary policies remained expansionary; balance of payments pressures intensified, resulting in a further loss of reserves and the increased accumulation of external payments arrears; the tight foreign exchange situation constrained commercial and industrial activity; and the inflation rate accelerated. However, in mid-1983, there seemed to be a dramatic change in the authorities' willingness to come to grips with the economic situation. Consequently, in view of the authorities' intention to embark on a comprehensive stabilization program, the consultation discussions focused on a review of the nature and causes of the existing imbalances in the economy, the range of policy measures that the authorities were contemplating, and the prospects for the future. At the time of the discussions in June, the authorities were confident that the measures that they were then considering would be comprehensive and substantive and that these measures would go a long way toward stemming and, in some cases, reversing the deterioration in the economic and financial situation; they also reiterated their hope that these measures would be supported by the Fund. Effective July 1, several key policy measures were enacted; the measures were both far-reaching and wide-ranging, encompassing substantive actions in the areas of exchange rate, producer pricing, and fiscal and monetary policies.

1. Production and investment policies

The ramifications of the continued poor performance of the diamond sector have underscored the excessive dependence of the Sierra Leonean economy on the mining sector, particularly diamonds. In addition, despite the increases in the past year or so in the producer prices of most major cash crops and rice, agricultural production has, at best, largely stagnated, and the imports of rice remain quite high. Real GDP stagnated. In the meantime, pending a more comprehensive plan, public investment is being carried out in an uncoordinated fashion, in the context of annual development budgets.

The Sierra Leonean representatives stated that a large part of the problems of the diamond sector arise because the product lends itself easily to smuggling, both to avoid the payment of the 3 percent export duty and as a convenient vehicle for capital flight. Added to this was the depletion of easily accessible alluvial reserves; in general, the profitability of these alluvial deposits vary with the level of world diamond prices, and the present depressed world prices for diamonds have adversely affected the mining of marginal deposits. However, efforts are being intensified to tackle the problems of the diamond sector. Thus, although the dual exchange rate system had a slightly favorable impact on the official exports of diamonds, the Sierra Leonean authorities felt that the system fell short of expectations in this regard; accordingly, they were seriously considering further measures that would help to rechannel diamonds through official sources. Following the unification on July 1, 1983 of the official and the commercial rates of exchange, the authorities are hopeful that official foreign exchange receipts emanating from the diamond sector would rise. In addition, they expect that the profitability of some alluvial reserves would be enhanced by the moderately improved prospects for the diamond industry: prices increased by about 3 percent in March 1983, and the international level of stocks appears to have leveled off. For the medium term, the Government's efforts to diversify the diamond sector away from the smuggle-prone alluvial mining sector were already yielding positive results: some of the current production derives from open-casting the first Kimberlite pipe; the second Kimberlite pipe is now also being exploited. They noted that financing arrangements for the Kimberlite project have now reached an advanced stage. They explained that the original project has now been replaced by a new one that would cost some US$140 million to construct (without provision for interest), compared with US$94 million in the original project. In addition, the investment is to be spread over eight years instead of the original five years, but the new project would begin to produce in the first year compared with a gestation period of about five years originally envisaged under the previous project. Thus, under the new agreement that was to be signed in late July 1983, construction and full-scale production would start in July 1984. The initial investment in 1984/85 was projected at US$35.3 million. Output is projected at 27,000 carats in 1983/84 from Kimberlite production, 57,000 carats in 1984/85, and 70,000 carats in 1985/86.

Where other minerals are concerned, the Sierra Leonean representatives stated that production of iron ore, which ceased in 1975, has been resumed with the opening of the Marampa mine in December 1982. The total output of iron ore in 1982/83 amounted to 144,000 tons; at full capacity, exports of some 1 million tons of concentrate annually are expected. Bauxite production, which fell by about 30.0 percent in 1981/82, rose by about 3 percent in 1982/83; output is expected to increase in 1983/84 with the recent installation of improved drying facilities at SIEROMCO. In addition, the Government and Alusuisse (of which SIEROMCO is a subsidiary) have reached agreement, in principle, to open a jointly owned

bauxite mine at Port Loko; furthermore, Alusuisse and a consortium of foreign companies also plan to build an alumina plant at Port Loko. Rutile production, which averaged 38,000 tons in the two years ended 1980/81, rose to some 72,000 tons in 1981/82 but dropped to 60,000 tons in 1982/83. The Sierra Leonean representatives explained that the slump in automobile production and in construction activity in the United States and elsewhere had weakened world demand for rutile, and that prices were depressed. However, they were confident that, for the mining sector as a whole, the unification of the official and the commercial rates of exchange would have beneficial effects; in addition to increasing profitability, it should make investment in the mining sector more attractive.

The Sierra Leonean representatives expressed concern over the poor performance of the agricultural sector. They felt that the producer price increases in 1982 and in early 1983 should have provided adequate incentives to encourage production by reducing the incidence of the smuggling of cash crops to neighboring Liberia, but they felt that all the indications are that the producer prices were not high enough to compensate for the attraction of the Liberian dollar. Consequently, they felt that there was a need for a more aggressive producer pricing policy in the period immediately ahead. Accordingly, as indicated below, they have increased producer prices for the 1983/84 crop season substantially; this action has been made possible by the exchange rate action taken by the authorities. In addition, continued emphasis will be placed on extension services, increased acreage, and improved farming methods. Where rice is concerned, the Sierra Leonean representatives indicated that, of the estimated 340,000 tons of rice consumed annually in Sierra Leone, approximately 20 percent (or some 70,000 tons) is imported; this figure represents a continued higher level of imports than in the recent past. Of the remaining 270,000 tons, most is consumed on the farm; only about 3,000 tons represent marketable production, some 95 percent of which is purchased and sold by the Sierra Leone Produce Marketing Board (SLPMB). In order to improve resource allocation in the rice sector, the SLPMB has been divested of its monopoly on the importation of rice in order to permit the private sector to participate in this activity; the controls on the retail price of rice are also being eased. With regard to domestic production, the Sierra Leonean representatives explained that the crash rice program that the Government undertook in 1980/81 to increase the production of rice has had a limited impact. Thus, in 1982 the program, which had targeted the plowing of some 60,000 acres for rice cultivation, only succeeded in covering 9,000 acres. Nevertheless, the Government is still reviewing several policy options for encouraging domestic production. Finally, they stated that many foreign-financed projects aimed at improving agricultural productivity are being financed by IDA, EEC, and the ADB. The IBRD is also presently considering a Sectoral Adjustment Loan for about US$29.4 million, which could start in July 1984.

With regard to public sector investment, the Sierra Leonean representatives indicated that the implementation of the five-year development plan covering the period 1981/82-1985/86 has been delayed. Consequently, a three-year Second National Development Plan covering the period 1983/84-1985/86 is under preparation. Total planned investment in the three-year period is tentatively targeted at Le 702 million in current prices; on the basis of present estimates, the main sectoral shares are electricity (35 percent) and agriculture (23.5 percent). A breakdown of planned expenditures by sources of financing for the whole plan period was not available; plan implementation will be in the context of the annual development budget estimates. In this context, the Sierra Leonean representatives stressed the role of public investment in raising output capacity, generating growth, and solving Sierra Leone's present balance of payments problems. Consequently, in 1983/84, which is envisaged as the first year of the plan, development expenditures are targeted at Le 175 million. Of this amount, Le 140 million, about 82 percent, represents projected foreign financing. This level of expenditure would be required to intensify work on existing projects, including the preparatory work for the Bumbuna hydroelectric project; it also makes some provision for the latest Integrated Agricultural Development Project and the Kimberlite diamond mining project, which are slated to commence in 1983/84.

In the private sector, government policy is to encourage industries using local products for both export promotion and import substitution. It was also felt that a major constraint in this effort has been the dearth of foreign exchange resources, which has meant that industries cannot import raw materials. In this context, they expect that, by easing the foreign exchange crunch, as well as by providing a greater incentive for exports, the unification of the exchange rates should help to ameliorate the problem and also help attract more private investment. Meanwhile, they noted that three new industries have been established in the past two years: processing of mineral water, retreading of tires, and a cement factory. Efforts to encourage private investment will continue to be intensified, and the investment code is presently under review.

2. Energy sector policies

In view of Sierra Leone's limited energy resources, the country's energy requirements are presently being met through crude oil imports that are then refined into petroleum products in Sierra Leone; crude oil imports in 1981 amounted to 210,000 tons, valued at about US$67 million. Imports of crude oil in 1982 amounted to about 152,000 tons (valued at about US$45 million); however, this figure did not include about 34,000 tons of refined products that were imported during the year, inclusive of which the total amount imported would be the equivalent of 201,000 tons of crude oil.

The Sierra Leonean representatives stated that for a number of years domestic consumption of crude oil had been approximately the equivalent of some 220,000 tons. The high import price of oil and the dearth of foreign exchange had already forced some economies in the consumption of oil products to the levels witnessed in 1981 and 1982. Despite this reduction, it was still government policy to achieve further economies in the utilization of oil, either through rationing or through increased prices for petroleum products. In this context, they noted that effective July 1, the prices of several petroleum products have been increased, following the unification of the exchange rates; in the case of gasoline, for example, the pump price has been increased by 47 percent from Le 3.40 per gallon to Le 5 per gallon; concomitantly, taxi and bus fares were also increased. They stated that a complete pass-through of the exchange rate effects would require that gasoline prices rise to Le 6.05 per gallon, and they expect to complete the pass-through in the near future. In the medium to long term, it is expected that the Bumbuna hydroelectric project (estimated originally to cost about US$390 million) would reduce oil import demand sharply; the project has now been scaled down to US$217.6 million (in current prices), including provision for interest. The Sierra Leonean representatives explained that the preliminary stages of the project had been completed and that the Government was trying to raise the necessary financing, so that construction could be started; the IBRD is tentatively expected to convene a donors' conference in late 1983. Meanwhile, IDA has committed some US$20 million in foreign assistance to the project. The earliest operational start-up date for the project is presently estimated as 1987.

3. Prices and incomes policies

The Sierra Leonean representatives stated that significant increases in the producer prices of major agricultural crops had been made and that further substantial increases were imminent. In December 1982 the producer prices for the major export crops--coffee, cocoa, and palm kernels--were raised by 30.8 percent, 7.7 percent, and 10.0 percent, respectively; these increases were in addition to earlier increases (in November 1981) in the producer prices for coffee and palm kernels. Thus, for the 1982/83 crop season as a whole, the producer prices for coffee, cocoa, and palm kernels were increased by 42 percent, 8 percent, and 52 percent, respectively; the producer price for ginger was also increased by 39.5 percent for the 1982/83 crop season. They explained that, despite these increases, the problem of smuggling agricultural export crops still persists, largely because producer prices in Sierra Leone, in foreign currency terms, remained uncompetitive with those prevailing in neighboring Liberia. Consequently, the Sierra Leonean authorities have announced substantial increases in the producer prices for the main export crops for the 1983/84 crop season, well in advance of the crop season. Specifically, the increases were 82 percent for coffee, 93 percent for cocoa, 82 percent for palm kernels, and 15 percent for ginger. They noted that, as a result of these increases, Sierra

Leone's producer prices for these commodities are now either identical in U.S. dollar terms, with those of neighboring Liberia (palm kernels), approximately equal (cocoa), or significantly higher (coffee), even at the depreciated exchange rate. They felt that the new approximate parity situation should boost Sierra Leone's official agricultural export earnings by curbing the incentive to smuggle these commodities. In the case of rice, the producer price was increased by 75 percent in 1981/82 and by a further 42.9 percent in February 1983; at the same time, active consideration was being given to decontrolling the retail price of imported rice in order to attract the private sector into the importation of rice.

Where overall price developments are concerned, the Sierra Leonean representatives stated that the recent acceleration in domestic prices reflected the scarcity situation in the country, as well as the price effects of the changes in the exchange system in December 1982; they also agreed that the expansionary fiscal and monetary policies were important contributory factors. Despite this, the Sierra Leonean representatives stated that they intended to continue to implement the existing price control system flexibly. They explained that the system was instituted to protect the public against excessive profiteering, and expressed concern that entrepreneurs have seized the opportunity of the present state of the economy to raise prices by amounts considerably in excess of what would be warranted on the basis of recent policy changes.

With regard to wage and salary policies, the Sierra Leonean representatives concurred with the need for continued moderation, in view of the tight prospects for the budget in the medium term. They stated that, for the past three years, there have been no wage or salary increases for established government workers. For this reason, and given the impact of the substantial devaluation of the leone, they had approved an average increase of 20 percent in wages and salaries for government employees, which has been reflected in the 1983/84 budget.

4. Domestic financial policies

The 1982/83 budget, which was presented to Parliament in October 1982, envisaged an overall deficit (commitments basis) of Le 145 million, or 7.3 percent of GDP; inclusive of a budgeted Le 30 million reduction in domestic arrears, the overall deficit (cash basis) was estimated at Le 175 million, about 8.8 percent of GDP. Domestic bank financing of the budget deficit was projected at Le 130 million, about 6.5 percent of GDP, or some 40 percent of beginning money stock. Revenue and grants, including Le 7.5 million (about 0.4 percent of GDP) in new revenue measures, were projected to grow by 19 percent to Le 245.1 million (about 12.3 percent of GDP), with total expenditures estimated to increase by 6 percent on a commitments basis. Revised estimates indicate that the fiscal targets contained in the 1982/83 budget were not achieved. On a

commitments basis, the overall deficit is provisionally estimated at Le 228 million (about 11.4 percent of GDP or some 4 percentage points higher than budgeted); on a cash basis, the deficit is estimated at Le 270 million, about 13.5 percent of GDP, compared with the budgeted 8.8 percent. Although net external financing at Le 41 million was some 36 percent higher than budgeted (largely on account of Le 16 million in unbudgeted suppliers' credits to finance imports of oil), domestic bank financing amounted to Le 225 million (about 11.3 percent of GDP), or some 69 percent of beginning money stock; domestic nonbank financing amounted to Le 4 million (about 0.2 percent of GDP), or some Le 11 million less than the budget projections.

The Sierra Leonean representatives stated that adverse revenue developments were largely responsible for the higher deficit in 1982/83. Total revenue and grants amounted to Le 181 million, some Le 64 million (26 percent) less than budgeted and about 12 percent less than the previous year's level; thus, for the second consecutive year, total receipts declined by 4 percentage points of GDP to a level of about 9 percent. They explained that an important contributory factor to the revenue shortfall was the result of the tight foreign exchange situation in reducing receipts from import duties and constraining the operations of important revenue-generating domestic manufacturers dependent on imported raw materials. However, they agreed that receipts from both export and import duties were also eroded by the authorities' decision, taken in January 1983, to value all goods for customs purposes at the official exchange rate rather than the rate at which goods were actually traded (viz., the commercial rate for most non-oil imports and the average of the commercial and official rates for the exports of the SLPMB). The mission and the authorities agreed that actual 1982/83 revenue would have been about Le 22 million higher had the actual rate continued to be applied in customs valuation in the second half of fiscal year 1982/83.

On a cash basis, total expenditure in 1982/83 is estimated at Le 451 million, about Le 31 million or 7 percent higher than budgeted and about 23 percent higher than in 1981/82. However, the Sierra Leonean representatives explained that the excess over the budget estimates is more than accounted for by the higher-than-budgeted reduction in domestic arrears (Le 49 million compared with Le 30 million) and the unbudgeted outlays of Le 40 million resulting from a new arrangement for the importation of oil; of this amount, Le 26 million represents net lending to the refinery and Le 14 million is a subsidy payment arising from the purchase of oil at the commercial rate. In this connection, the Sierra Leonean representatives explained that, since December 1982, in contrast with the previous arrangements whereby the SLPRC purchased crude directly from a consortium of oil companies, the Government itself buys oil from an independent supplier, partly in cash (down payments in 1982/83 amounted to some 53 percent of the value of government crude oil purchases), with the balance due within 180 days. The refinery pays the Government for the crude oil, at the official exchange rate, on the basis of 90 days' credit;

thereby the Government incurred a substantial loss. They explained that they embarked on this arrangement because of the difficult foreign exchange situation. During fiscal year 1982/83 the Government purchased US$40.4 million of crude oil under this arrangement (equivalent to Le 50.5 million at the official exchange rate that was applied to crude oil under the dual exchange rate system); of this amount, Le 16 million was financed through suppliers' credits. However, actual cash outlays by the Government amounted to almost Le 49 million, of which Le 14 million resulted from the Government's recourse to the commercial market for foreign exchange, as resources were unavailable in the official market.

Excluding expenditures connected with arrears reduction, oil payments, and an accumulation of arrears on external interest payments equivalent to Le 8 million, current expenditure in 1982/83 is estimated at Le 262 million, some 3.7 percent lower, in nominal terms, than the budget estimate of Le 272 million. The Sierra Leonean representatives explained that, as a result of a thorough and rigorous scrutiny of proposed expenditure commitments under a newly installed system for monthly expenditure allocations, they were able to limit expenditures on other charges (i.e., nonwage, nonsalary, and noninterest expenditures) to Le 91 million, or some Le 12 million (11.6 percent) less than budgeted, or at about the same nominal level as in 1981/82. Thus, expenditure on other charges fell by an estimated 28 percent in real terms. Development expenditure in 1982/83 is estimated at Le 100 million, some 15 percent lower than the budgeted level of Le 118 million or 5.4 percent higher than the 1981/82 level; in real terms, development expenditures declined by some 23 percent in 1982/83. In addition, for the first time in recent times, there was no increase in domestic arrears in 1982/83; indeed, there was a substantial reduction in 1982/83. Furthermore, apart from the oil expenditures, no extrabudgetary expenditures (which hitherto appeared to be an intractable problem) were incurred.

While cognizant of the efforts that had been made to contain expenditures (other than those related to oil and to arrears reduction) below the budget estimates in 1982/83, the staff representatives stressed that the slippage in the implementation of appropriate revenue measures had contributed, in large measure, to a worsening of the fiscal outturn in 1982/83. As a result, the high overall deficit and the accompanying high level of bank financing had continued, as in previous years, to contribute to intensify pressures. Consistent with the declared intentions of the authorities to implement an adjustment program in 1983/84, the staff team urged a reduction in the overall deficit and its associated bank financing in the context of the 1983/84 budget, which was under preparation at the time. Specifically, the staff team urged a continuation of the stringent expenditure control measures started in 1982/83 and efforts to increase the mobilization of revenues. While agreeing on the need to contain the overall budget deficit and its bank financing, the Sierra Leonean representatives felt that several factors would make that task exceedingly difficult within the context of the 1983/84 budget. First,

they felt that there would be a need to make adequate provisions for expenditures on other charges that may have been excessively compressed in the previous year, with adverse effects both on the efficiency of the revenue-collecting departments (they are reportedly short of vehicles) and on the maintenance of existing infrastructure and other capital assets. In addition, the large change in the exchange rate would make it difficult to impose new tax burdens on the public or to resist pressures for some increase in wages and salaries, particularly in view of the 25 percent average annual rate of increase in domestic prices in the last three years.

In the event, the 1983/84 budget estimates provide for an overall deficit of Le 210 million (Table 2); however, this overall deficit includes a Le 5 million reduction in domestic arrears for which provision and financing had already been made in 1982/83. Bank financing of the overall deficit is projected, optimistically, at Le 180 million, about 7.2 percent of GDP, or 41 percent of estimated beginning money stock; during 1982/83 the corresponding values were 11.3 percent and 69 percent, respectively. Foreign financing is expected to decline on a net basis but nonbank financing is projected to increase. Total revenue and grants are estimated at Le 324 million, or some 79 percent (about 4 percentage points of GDP) higher than in 1982/83. The projected increase mainly reflects the impact of the July 1 exchange rate unification on foreign receipts (grants and international trade taxes) and the anticipated higher revenues following the expected supply effects of the substantial increases in producer prices. In addition, the budget projections incorporate the conversion by a major aid donor (the Federal Republic of Germany) of an amount equivalent to Le 23 million from loan disbursements to grants.

Expenditures are budgeted to increase, in nominal terms, by 18 percent over the provisional 1982/83 outturn, inclusive of the estimated full impact of the exchange rate unification. The projected increase in current expenditures (37 percent in nominal terms and virtually no change in real terms) includes the effects of the 20 percent average nominal wage award for civil servants, effective July 1, 1983. Interest payments are projected to rise by more than 75 percent to Le 76.2 million, reflecting, in part, exchange rate effects; in addition, domestic debt servicing costs will rise under a new arrangement, effective with the 1983/84 budget, whereby domestic financing of the budget deficit will be provided by the issue of Treasury bills and development stocks, rather than by ways and means advances from the Bank of Sierra Leone, as was previously the case. Other current expenditures are slated to rise, in nominal terms, by about 36 percent to Le 124 million, or to remain unchanged in real terms. Development outlays are estimated at Le 170 million, which, allowing for the impact of the exchange rate devaluation on the foreign component, would entail a slight decline in real terms, compared with the estimated 1982/83 outturn.

Table 2. Sierra Leone: Central Government Operations, 1979/80-1983/84 1/

(In millions of leones)

	1979/80	1980/81	1981/82	1982/83 Budget	1982/83 Est. actual	1983/84 Budget
Total revenue and grants	192.0	228.3	206.3	245.1	181.3	324.2
Taxes on net income and profits	38.1	53.1	42.6	44.7	42.7	71.9
Taxes on goods and services	28.6	43.7	45.2	48.8	38.5	51.2
Taxes on international trade	86.5	98.0	83.2	89.1	57.0	103.9
Import duties and fees	(66.9)	(83.5)	(69.2)	(78.5)	(51.6)	(98.1)
Export duties	(19.6)	(14.5)	(14.0)	(10.6)	(5.4)	(5.8)
Other revenue and grants	38.8	33.5	35.3	62.5	43.1	97.2
Total expenditure 2/	334.0	382.3	367.1	419.9	451.0	534.2
Current expenditure	192.1	246.3	248.8	271.5	261.6	359.2
Wages and salaries	(73.2)	(101.8)	(117.5)	(123.3)	(127.5)	(158.8)
Interest payments	(23.3)	(23.2)	(39.4)	(45.2)	(43.0)	(76.2)
Other	(95.6)	(121.3)	(91.9)	(103.0)	(91.1)	(124.2)
Development expenditure	82.1	63.9	94.9	118.4	100.0	170.0
Other expenditure	59.8	72.1	23.4	--	40.0 3/	--
Arrears reduction	...	...	...	30.0	49.4	5.0
Overall deficit (cash basis) (-)	-142.0	-154.0	-160.8	-174.9	-269.7	-210.0
Financing	142.0	154.0	160.8	174.9	269.7	210.0
Foreign	70.0	32.4	31.9	30.1	41.0	15.8
Drawings	(111.2)	(64.1)	(63.6)	(63.7)	(69.0)	(85.8)
Amortization	(-41.2)	(-31.7)	(-31.7)	(-33.6)	(-28.0)	(-70.0)
Domestic	72.0	121.6	128.9	144.8	228.7	194.2
Banking system	(55.7)	(113.6)	(140.0)	(130.0)	(224.8)	(180.0)
Nonbank sources	(16.3)	(8.0)	(-11.1)	(14.8)	(3.9)	(14.2)
Memorandum items:						
Overall deficit (commitments basis) (-) 4/	-142.0	-178.3	-202.0	-144.9	-228.3	-205.0
			(In per cent of GDP)			
Revenue and grants	16.6	17.1	13.2	12.3	9.1	13.0
Revenue	14.6	15.8	11.7	10.6	7.7	10.0
Total expenditure	28.9	28.6	23.5	21.0	22.6	21.4
Of which:						
current expenditure	(16.6)	(18.4)	(15.9)	(13.6)	(13.1)	(14.4)
development expenditure	(7.1)	(4.8)	(6.1)	(5.9)	(5.0)	(6.8)
other expenditure	(5.2)	(5.4)	(1.5)	(--)	(2.0)	(--)
Overall deficit (cash basis)	12.3	11.5	10.3	8.8	13.5	8.4
Bank financing	4.8	8.5	8.9	6.5	11.3	7.2
Overall deficit (commitments basis)	12.3	13.3	12.9	7.3	11.4	8.2

Sources: Data provided by the Sierra Leonean authorities; and staff estimates.

1/ Provisional estimates; Treasury accounts have not been finalized and audited since 1978/79. Posts and Telecommunications operations are treated net.

2/ Cash basis; i.e., excluding unpaid obligations.

3/ Of which Le 26 million net lending to SLPRC, and Le 14 million in subsidies associated with finance of oil payments at the commercial exchange rate.

4/ Cash basis deficit adjusted for estimated net changes in outstanding arrears, including arrears both on domestic expenditures and on domestic counterpart of external current payments.

The Sierra Leonean representatives noted that, in 1983/84, under the unified exchange rate system, the subsidy that was associated with the financing of some payments at the commercial rate will cease; however, an adjustment has been incorporated into the budget estimates on account of the impact on external amortization in 1983/84 of the effect of the devaluation on the outstanding Le 16 million in oil suppliers' credits from 1982/83. The prospective budgetary impact of changes in net lending to the refinery and new oil suppliers' credits would depend on the amount and timing of oil shipments (roughly monthly) and the associated payments. However, due to the timing of transactions in 1982/83, the Government had made the down payment for a shipment in late June while the refinery's payment was received in July; consequently, the budget has assumed that for 1983/84 the impact of changes in these credit flows on the Government's financial situation would not be adverse. However, the Sierra Leonean representatives agreed that the 1983/84 budget did not make any provision for the budgetary impact of their decision to increase petroleum pump prices by 47 percent, or less than that which would reflect a full pass-through of import costs, following the unification of the exchange rates. In this context, estimates provided by the SLPRC indicate that the implicit budgetary subsidy arising from the partial pass-through would amount to about Le 2.2 million per month. However, the Sierra Leonean representatives stated that they expect the subsidy to run for only a part of the whole fiscal year; in the meantime, pending the implementation of full-cost pricing, they would seek additional fiscal measures, with a view to containing the overall deficit at about the budgeted level.

Overall credit and monetary developments continue to be dominated, in large measure, by the financing needs of the Government: the share of credit to the Government in total domestic credit rose from 83.3 percent in 1981/82 to 86.2 percent in 1982/83. The Bank of Sierra Leone has been responsible for a steadily increasing share of net credit to the Government; in this connection, the share of the central bank in net credit to the Government in 1982/83 amounted to 92.1 percent, compared with 90.6 percent in the previous year. In addition, a steadily increasing percentage of the central bank's financing of the Government has been provided in the form of ways and means advances well in excess of the statutory limit, which is 10 percent of estimated current government revenue; the proportion of central bank credit in the form of ways and means advances rose from 81.2 percent in 1981/82 to 89.5 percent in 1982/83. At the existing level of Le 675 million at end-June 1983, ways and means advances amounted to almost four times the estimated 1982/83 revenues. In contrast to the rapid increase in net credit to the Government (averaging some 41.2 percent in the two fiscal years ended June 1983), the rate of increase in credit to the private sector averaged 11.6 percent during the same period. Total domestic credit, which rose by 31.8 percent in 1981/82, rose by a further 39.4 percent in 1982/83. The net foreign assets of the banking system, which had been deteriorating steadily during the past four years, deteriorated further in 1982/83.

Largely as a result of the substantial increase in total domestic credit, money supply, broadly defined, which rose by 25.4 percent in 1981/82, rose by an estimated 36.0 percent in 1982/83.

The Sierra Leonean representatives stated that they have been concerned about the rapid pace of credit expansion in the economy, particularly to the Government. The acceleration in the rate of increase of credit to the private sector from 7.8 percent in 1981/82 to about 15.3 percent in 1982/83 was due largely to the tendency to bid at the foreign exchange auctions with resources obtained through credit; the recent discontinuation of the auction system should eliminate this tendency. Where credit to Government is concerned, a concerted effort is being made, in the context of the 1983/84 budget, to moderate the rate of expansion consistent with the intention to embark on a stabilization program. In addition, they stated that proposals are now being implemented to regularize the overhang of ways and means advances. Specifically, starting in 1983/84, ways and means advances will be used, as originally intended under the Bank of Sierra Leone Act, to provide temporary bridging finance, with the current budget deficit financed by the issue of Treasury bills; the domestic component of development expenditure will be financed by the issue of new development stocks. Nonbank institutional investors are being given priority to subscribe to the new stocks; to achieve this objective, the Sierra Leonean representatives expect to increase the interest rate on government paper by an average of 2 percentage points, to a range of 11 1/2-14 percent on bonds, and 12 percent on Treasury bills. They explained that this prospective increase will be made in the context of the general increase, averaging 2 percentage points, in the structure of savings deposits rates already implemented on July 1, 1983 as part of a comprehensive stabilization package; at the same time, the existing ceilings on the lending rates of the commercial banks were eliminated. They also indicated that they intend to take appropriate action with regard to the liquidity ratios of the commercial banks soon, and that a system of quarterly quantitative credit guidelines for bank credit to the private sector would go into effect in the very near future.

With regard to public enterprises, the Sierra Leonean representatives explained that the one major subsidy generated by enterprise operations had been that paid to the Sierra Leone Electricity Corporation (SLEC) to cover its operating losses. These losses had been reduced, but not eliminated, by a 70 percent increase in electricity tariffs in March 1982, as recommended by the IBRD. In July 1982 the SLEC had been succeeded by a new National Power Authority (NPA), established with financial assistance from IDA. As part of the package, IDA had recommended that, in order to put the NPA on a viable financial footing, the inland price of fuel oil, most of which is used for electricity generation, should be reduced; in line with this recommendation, a reduction of 40 percent was made in November 1982. Since the ex-refinery price of fuel oil was left unchanged, the need for a subsidy has not been eliminated; instead, subsidies are now being paid, not to NPA as previously, but to

the intermediary oil marketing company to cover the gap between the ex-refinery and inland selling prices of fuel oil (Le 381 and Le 227 per ton, respectively). Nevertheless, as a result of the 70 percent increase in electricity tariff, the total of such subsidy payments, which had reached Le 11.5 million in 1981/82, has been reduced to Le 5.8 million in 1982/83; a similar amount is budgeted in 1983/84. As far as other utility rates are concerned, telephone charges per unit were raised by 67 percent in October 1982.

5. External financial policies

Although some of the data on the principal aggregates of Sierra Leone's balance of payments showed an apparent improvement in 1982/83, the external position remains structurally very weak and quite critical (Table 3). Exports declined by 8 percent, reflecting lower average prices for diamonds and reduced sales of coffee, but imports fell more sharply, by 25 percent below the level of the two previous years, largely because of the dearth of foreign exchange resources. Consequently, the trade deficit fell markedly, and the current account deficit declined from a projected SDR 159 million or 13.9 percent of GDP to an estimated SDR 105 million or 8.4 percent of GDP. Net inflows of private long-term capital increased somewhat, largely because of borrowing by public enterprises and an accumulation of undistributed profits, and the overall deficit on the balance of payments is estimated at SDR 60 million, about 4.8 percent of GDP, or only half the amount recorded in the previous year. At the same time the financing of the deficit was eased by a renegotiation of debt owed to oil companies and by a drawing from the Fund under the compensatory financing facility. As a result, the increase in external arrears, at SDR 23 million (for the first nine months of the year), was much smaller than in the previous two years. Nevertheless, total arrears are now at SDR 222.8 million, or about twice the level of annual exports.

The outlook for 1983/84 is for a structural improvement in the current account deficit, assuming a substantial diversion of exports (particularly diamonds and agricultural exports from the parallel to the official market as a result of recent measures), and some further compression of imports. Exports are projected to increase by 19 percent in SDR terms, reflecting a recovery in both volume and commodity prices, as well as a change in the composition of exports; minerals, especially bauxite, rutile, and iron ore, are projected to contribute increased amounts to total exports. Moreover, coffee and cocoa exports are also projected to increase both in prices and volumes. Imports are projected to decline further in real terms by about 6 percent, with most of the decline accounted for by a decrease in the volume of oil imports. In addition, the authorities expect that the contractionary policies already in place, the devaluation of the leone, and the tightened stance of credit policies will limit the demand for imports. As a result of these developments, the current account deficit is projected to decrease

Table 3. Sierra Leone: Balance of Payments, 1979/80-1983/84

(In millions of SDRs)

	1979/80	1980/81	1981/82	Prov. 1982/83	Proj. 1983/84
Trade balance	-93.2	-110.7	-128.5	-76.5	-52.2
Exports, f.o.b.	177.0	131.5	118.5	109.1	130.2
Imports, f.o.b.	-270.2	-242.2	-247.1	-185.6	-182.4
Services balance	-57.9	-54.8	-61.0	-56.1	-55.4
Freight and insurance	-36.9	-36.3	-39.5	-29.7	-29.2
Other transportation	15.1	12.6	12.4	10.1	10.3
Travel	1.6	1.6	0.4	0.6	0.6
Investment income	-24.2	-20.7	-19.5	-20.3	-21.2
of which:					
official interest due	(-9.7)	(-7.3)	(-7.0)	(-9.4)	(-9.4)
IMF charges	(-2.4)	(-3.2)	(-5.9)	(-4.3)	(-5.2)
Other government	-3.1	-3.1	-3.8	-4.8	-4.9
Other services	-10.4	-8.9	-11.0	-12.0	-11.0
Unrequited transfers	19.2	38.4	30.8	27.9	36.1
Private	6.0	7.7	8.0	9.6	9.0
Government	13.2	30.7	22.8	16.3	27.1
Current account balance	-131.9	-127.1	-158.7	-104.7	-71.5
Long-term capital (net)	60.6	9.9	-6.7	10.9	3.0
Official capital	50.5	3.4	-6.1	0.7	-3.2
Drawings	(81.8)	(46.9)	(46.5)	(42.4)	(32.1)
Repayments due	(-32.9)	(-44.8)	(-53.8)	(-42.9)	(-36.0)
Debt forgiven	(1.6)	(1.2)	(1.2)	(1.2)	(0.7)
Private capital	12.4	13.2	14.6	29.0	22.5
Export earnings retained	-2.3	-6.7	-15.1	-18.8	-16.3
Short-term capital and errors and omissions 2/	11.3	-8.2	45.2	33.6	16.3
Allocation of SDRs	3.2	3.2	--	--	--
Overall balance	-45.6	-122.2	-120.2	-60.0	-52.2
Payments arrears (decrease -)	16.1	58.6	86.2	23.3 4/	...
Official debt service	1.9	2.8	39.0	17.4	...
Official, other 3/	1.9	15.9	9.0	-11.6	...
Commercial	12.3	24.8	27.0	11.9	...
Oil payments	--	15.1	11.2	5.6	...
Debt relief	23.0	6.0	7.8	34.1	...
Arrears renegotiated	...	...	6.9	15.7	...
Official amortization renegotiated	...	...	0.7	0.6	...
Official interest renegotiated	...	...	--	0.3	...
Current payments renegotiated	...	...	--	17.5	--
Net Fund credit	6.9	20.6	-3.4	18.4	--
Purchases	15.0	35.5	--	20.7	--
Repurchases	-8.1	-14.9	-3.4	-2.3	--
Reserves and related items (increase -)	-0.4	37.0	29.6	-15.8	--
Monetary authorities	2.1	36.3	26.8	--	--
Commercial banks	-2.5	0.7	2.8	-15.8	--

Sources: Data provided by the Sierra Leonean authorities; and staff estimates. Exchange rates used: 1982/83 Le 1 = SDR 0.7316 for official transactions and SDR 0.6226 for other transactions; 1983/84 Le 1 = SDR 0.3745.

1/ Including disbursements of Trust Fund loans and Eurodollar loans of US$20 million in 1980/81 and US$2 million in 1981/82.

2/ Including Eurodollar loan of US$25 million in 1981/82 and 6-month oil credits of US$13 million in 1982/83.

3/ Official imports plus bilateral payments arrangements.

4/ As of end-March 1983.

from its 1982/83 level of SDR 104.7 million to SDR 71.5 million in 1983/84. A projected increase in official transfers is expected to be offset by an anticipated decrease in net official capital inflows, and an overall balance of payments deficit of SDR 52.2 million is envisaged for 1983/84; the financing of this prospective overall deficit is expected to remain difficult.

The Sierra Leonean representatives agreed that the balance of payments situation remained worrisome. Thus far, exports were declining and the possibilities for net official borrowing abroad had become very limited, as arrears accumulated and the country's credit rating declined on the one hand and large debt repayments fall due, on the other. In the circumstances, a fundamental need was to increase the flow of export earnings into official channels; to this end, in December 1982 they introduced a dual exchange rate system. It was then intended that the official rate would be depreciated, in stages, from Le 1.25 = US$1.00 (the equivalent of the pegged rate of Le 1 = SDR 0.7316) to Le 2.45 = US$1.00, the prevailing commercial rate, which itself would apply to the bulk of merchandise trade transactions and which would be set by the forces of supply and demand. In the event, the operation of the tender system was plagued by several administrative and other problems. These included the authorities' decision, taken in early May, extending the period between foreign exchange auctions from two weeks to three weeks; persistent and unrefuted charges of manipulation of the commercial market rate; continued ad hoc reallocation of foreign exchange among successful bidders; reported attempts to deny foreign exchange to successful bidders who were considered to have been successful more than once before; and the continued difficulty in enforcing surrender requirements for export earnings. In addition, it had proved difficult to move the official rate on a gradual basis, while, at the same time, the tender system had failed to attract a sufficient flow of foreign exchange.

In light of these problems, the authorities decided to unify the two rates at a new rate of Le 2.50 = US$1.00, effective July 1. The staff commended this action, stressing that, in order to foster adjustment on a continuing basis, while at the same time obviating the need for overly large discrete changes, exchange rate policy should be used more flexibly in the future as necessary; the Sierra Leonean representatives agreed that a more flexible policy was needed. In the meantime, the adoption of the new unified and depreciated rate has also made it possible to increase producer prices for major agricultural products in such a way as to make these prices fully competitive, in U.S. dollar terms, with those of neighboring Liberia. The effect on receipts from diamond exports was more difficult to predict; however, it was expected to have a positive effect by attracting more diamond exports into official channels.

The staff team pointed out that a substantial amount of export proceeds was not being captured by the monetary authorities because of inadequate enforcement of surrender requirements and the existence of special retention privileges for certain companies, particularly in the mining sector. Whereas these arrangements may have had little impact at the time of their introduction, more recently mineral exports had increased substantially, and problems posed by the retention of export earnings had become increasingly significant. Moreover, the authorities were under pressure to extend the practice of permitting retention privileges, since all producers were aware that, with a long pipeline of commercial arrears, they could not count on early approval of requests for foreign exchange for the purchase of needed imports of raw materials and spare parts. The staff team argued that retention privileges reduced the general pool of foreign exchange resources and implicitly created a system of priorities for the use of foreign exchange that was not necessarily in line with established national priorities. The Sierra Leonean representatives agreed that, except for existing long-term contracts, retention privileges should be reduced as far as possible to amounts considered strictly necessary for the operations of producing companies and the service of their foreign debts. They stressed that existing regulations on surrender requirements would be strengthened.

On the import side, the Sierra Leonean representatives recognized the need for adjustment of domestic financial policies in order to dampen demand. In this context, they stated that (in addition to the recent devaluation of the leone) the measures to reduce the bank financing needs of the Government, the increases in interest rates, the prospective private sector credit guidelines, and the increase in the liquidity ratio should help to dampen demand. In addition, however, measures were being introduced to tighten foreign exchange allocations. They explained that the more liberal system of import licensing and authorization for payments for invisibles introduced with the dual exchange rate system in December 1982 had proved unworkable, and the Bank of Sierra Leone had had to scale down authorized allocations in line with available foreign exchange resources. In the circumstances, it would now be necessary to return, formally, in August, to the previous system of relying on a foreign exchange budget, which would be closely coordinated with licensing procedures. Meanwhile, effective in February 1983, a new list of prohibited imports had been introduced.

In connection with arrears on external payments, the Sierra Leonean representatives explained that the pipeline of commercial arrears held in a blocked account at the Bank of Sierra Leone had been frozen when the dual exchange rate system was introduced in December and they had expected that all payments would henceforth be current; however, an amount of SDR 86 million in unprocessed applications remained outstanding at the central bank, with the result that there might be some further additions to the commercial pipeline in the coming months. As soon as resources are available, external arrears would be reduced on a chronological basis. In the meantime, since the arrears queue is well over

one year long, and the minimum lending rate on commercial loans is 15 percent per annum, the implicit cost of counterpart deposits to importers exceeds 15 percent and continues to give rise to a multiple currency practice subject to approval under Article VIII. The staff team urged that arrears on government payments and on oil payments should also be centralized in the Bank of Sierra Leone with blocked counterpart deposits, in order to keep better track of the arrears and to assist in managing total liquidity in the economy.

With regard to external debt, the Sierra Leonean representatives expressed their appreciation for the ongoing discussions about Fund assistance with data collection and debt management. They stated that the renegotiation of non-Paris Club debt was now virtually completed. The terms of such debt relief are similar to those previously agreed with the Paris Club creditors. This debt relief, which amounts to SDR 8.5 million includes arrears as well as principal and interest payments due up to June 1984. They were also hoping that new negotiations could be held with the Paris Club, in the near future, within the context of a stabilization program.

On the basis of public debt outstanding as of end-June 1983, staff projections indicate that the ratio of debt service payments (exclusive of liabilities to the Fund) to merchandise export earnings 1/ will remain in the neighborhood of 40 percent each year in 1983/84 and 1984/85; thereafter the debt service ratio is projected to decline slightly. Inclusive of projected new borrowings and of liabilities to the Fund, this ratio rises to about 52 percent by 1984/85; thereafter, the ratio is projected to decline steadily to about 48 percent in 1985/86 and 1986/87 and to 45 percent in 1987/88 (Appendix IV).

In the medium-term balance of payments projections underlying the debt service outlook, it is assumed that the shortage of foreign exchange will remain a major constraint. Exports are projected to increase, on average, by 10 percent per annum; this increase takes account of new exports under the Kimberlite project; higher alluvial diamonds and agricultural export earnings; and higher receipts from other mineral exports. Imports are projected to increase by 5 percent per annum. This increase is predicated on the assumption that, in order to promote a shift of resources toward the external sector, the authorities would markedly reduce the public sector's share of total domestic resources, and ensure that this trend is continued; some reduction in oil imports is expected through increased prices for petroleum products, and the coming availability of hydropower; food and nonessential imports would also be reduced. Prospects for obtaining increased official grants would appear to be limited, largely because of budgetary constraints in donor countries. Under these circumstances, the current account deficit

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1/ Data on exports of services are not available.

would average SDR 55 million during the period 1984/85-1987/88. Moreover, prospects for obtaining commercial bank foreign credit are seriously constrained largely because of payments arrears; additional concessional assistance would also appear to be limited. On the basis of the above scenario, staff projections indicate that in the period 1984/85-1987/88, the overall balance of payments deficit would average about SDR 40 million annually. Including Fund repurchases, the projected total financing gap averages SDR 52 million annually.

IV. Staff Appraisal

Sierra Leone's economic and financial difficulties have persisted and are intensifying. Observed real growth has stagnated, as diamond production and agricultural output (measured by the official purchases of these commodities for export) continue to be depressed; to some extent, this is distorted by the high incidence of smuggling. Expansionary budgetary and credit policies have continued to exacerbate internal and external imbalances; these imbalances have also been aggravated by the weak enforcement of surrender requirements for export proceeds and by the provision of generous retention privileges to several exporters. In addition, factors beyond the control of the authorities, such as high oil import prices and the depressed levels of the prices of virtually all of Sierra Leone's main exports, have contributed to these problems. As a result, gross reserves have been virtually depleted, and external arrears have continued to accumulate rapidly; commercial and industrial activity has been seriously hampered. The debt servicing problem has become more acute. The rate of inflation has accelerated.

Until very recently, efforts to deal with these problems have usually tended to be either inadequate or unsustained. For example, the problems of foreign exchange mobilization had not been addressed in a firm and consistent fashion: producer price levels remained low, and the exchange rate was maintained at a greatly overvalued level. Similarly, while the budget for FY 1982/83 made useful progress, it fell short of expectations in certain important respects. Current expenditures were strictly controlled at the commitment stage and for the first time in recent years, there were no extrabudgetary expenditures, while at the same time domestic arrears were substantially reduced; however, the authorities' decision to continue to value all external transactions for tax purposes at the official exchange rate, and the adverse budgetary implications of the special arrangements for the financing of oil were largely responsible for the increase of 4.7 percentage points of GDP in the overall budget deficit, compared with the budget estimates. At a time when the rate of increase in credit to the private sector also accelerated, the resulting large amount of bank financing of the budget deficit (about 11.3 percent of GDP) continued to fuel monetary expansion, increase pressures on the exchange rate of the leone, and aggravate both the external imbalances and the inflation rate.

The dual exchange rate system implemented in December 1982 made possible part of the increases in the producer prices of major export crops in 1982/83; it may also have increased official foreign exchange inflows somewhat, at least on a temporary basis. However, the implementation of the dual system, in particular the intended market clearing aspect of the commercial rate, was not satisfactory. Thus, in addition to the erosive effects of the inappropriate valuation of external transactions for tax purposes, the two-tier exchange rate system was plagued by problems of continuing inflexibility in its operation. As a result, certain quantitative restrictions which had been relaxed at the time of

the introduction of the dual rate system were reintroduced and the system of unnumbered licenses, not involving official sales of foreign exchange, also re-emerged. Therefore, in the context of the 1983/84 budget, the authorities took the commendable step of reunifying the two rates at a substantially depreciated level, close to the commercial rate. It is important that the authorities continue to apply a flexible exchange rate policy under the new unified rate structure.

Present indications are that the Sierra Leonean authorities are intensifying their efforts to implement appropriate and comprehensive measures in an effort to deal with the country's economic and financial difficulties. Thus, in an effort to halt and reverse the shrinkage in the mineral export base, not only has the production of some minerals been recommenced (e.g., iron ore) but plans are now also advanced to complete the financing of the Kimberlite diamond mining project. Similarly, the feasibility studies for the Bumbuna hydroelectric project have been completed, and the financing arrangements are being worked out with the assistance of the IBRD. More important, the staff and the authorities have done a substantial amount of work to pave the way for a financial program. In this context, recognizing the importance of sustained adjustment, the Sierra Leonean authorities have now delineated and taken several measures which show clearly their willingness to undertake a major realignment of economic policies. In the agricultural sector, they have recently privatized rice-import arrangements (which hitherto had caused financial problems for the SLPMB), while at the same time freeing the hitherto-controlled retail price of rice. The large (84 percent average) increase in the producer prices of Sierra Leone's major agricultural export crops, which was announced on July 1, has now resulted in approximate parity, in U.S. dollar terms, of Sierra Leone's producer prices with those in neighboring countries. In addition, the 1983/84 budget represents a significant first step in the process of reducing the expansionary nature of domestic financial policies. Furthermore, important policy initiatives have also been implemented or are imminent in the areas of monetary, credit, and exchange rate policies. In the monetary policy area, deposit rates have been increased, the ceilings on the lending rates of the commercial banks have been removed and, in an effort to mop up the liquidity overhang in the economy, an increase in the liquidity ratio of the commercial banks is to be effected. With regard to the exchange rate, although the initial arrangement was to move the official exchange rate in a number of small steps, as noted earlier, the Sierra Leonean authorities took the courageous step of implementing a full, immediate unification of the exchange rates, entailing on average a substantial devaluation of the exchange rate of the leone. While these steps represent substantial progress, in the staff's view, firm, and sustained implementation of these and other appropriate measures would be required to reduce existing imbalances to manageable proportions. The success of these measures would also depend importantly on the increased inflow of financial and other resources, from both multilateral and bilateral aid donors.

Sierra Leone's exchange system involves a foreign exchange allocation scheme and external payments arrears giving rise to restrictions on payments and transfers for current international transactions which are subject to approval under Article VIII. The existing bilateral payments agreements with Fund members are inconsistent with Article VIII. The counterpart deposit requirement against commercial arrears constitutes a multiple currency practice also subject to approval under Article VIII. The staff welcomes the authorities' intentions to liberalize the exchange system, and to progressively reduce the level of outstanding external arrears, and urges that such actions be taken promptly as the balance of payments situation permits.

Consistent with the 12-month cycle envisaged for consultation discussions with Sierra Leone, the authorities have proposed that the next consultation discussions take place around April/May 1984.

V. Proposed Decision

The following draft decision is proposed for adoption by the Executive Board:

1. The Fund takes this decision relating to Sierra Leone's exchange measures subject to Article VIII, Sections 2 and 3, and in concluding the 1983 Article XIV consultation with Sierra Leone, in the light of the 1983 Article IV consultation with Sierra Leone conducted under Decision No. 5392-(77/63), adopted April 29, 1977 (Surveillance over Exchange Rate Policies).

2. Sierra Leone's exchange system involves restrictions on payments and transfers for current international transactions, including external payments arrears, and a multiple currency practice, as described in SM/83/ . Sierra Leone continues to maintain bilateral payments agreements with Fund members. The Fund urges the authorities to reduce reliance on exchange restrictions, including the associated multiple currency practice, and to eliminate the bilateral payments agreements with Fund members.

Sierra Leone--Relations with the Fund
(As of July 31, 1983)

Date of membership:	September 10, 1962	
Status:	Article XIV	
Quotas:	Present : SDR 46.5 million Proposed : SDR 59.6 million	
	Millions of SDRs	Percent of quota
Fund holdings of leones:		
Total	113.2	243.4
Of which:		
compensatory financing facility	(20.7)	(44.5)
credit tranches	(12.5)	(26.9)
extended Fund facility	(16.3)	(35.0)
supplementary financing facility	(17.2)	(37.0)
SDR holdings:	SDR 12,624, or 0.1 percent of the net cumulative allocation of SDR 17.46 million	
Gold distribution:	21,396 troy ounces of fine gold	
Direct distribution of profits from gold sales:	US$3.99 million	
Trust Fund loans outstanding:		
Total	SDR 23.73 million	
First period	SDR 9.82 million	
Second period	SDR 13.91 million	
Technical assistance:	Sierra Leone is receiving technical assistance from the Fund in the central banking and budgetary fields. Since September 1979 a Fund resident representative has been stationed in Freetown.	
Exchange practice under Article VIII:	Until June 30, 1983 the leone was pegged to the SDR at the rate of Le 1 = SDR 0.731566. Effective July 1, 1983, the leone/SDR peg was abandoned, and the leone was pegged to the U.S. dollar at the rate of US$1.00 = Le 2.50. Sierra Leone's restrictions on payments arrears and a multiple currency practice arising from the nonpayment of interest on the leone counterpart of commercial arrears have not been approved by the Fund.	

Sierra Leone--Relations with the Fund (concluded)
(As of July 31, 1983)

The last Article IV consultation discussions with Sierra Leone were held in Freetown during the period February 15-28, 1982. The staff report (SM/82/94) was discussed by the Executive Board on June 2, 1982, and the decision was:

1. The Fund takes this decision relating to Sierra Leone's exchange measures subject to Article VIII, Sections 2 and 3, and in concluding the 1982 Article XIV consultation with Sierra Leone, in the light of the 1982 Article IV consultation with Sierra Leone conducted under Decision No. 5392-(77/63), adopted April 29, 1977 (Surveillance over Exchange Rate Policies).

2. Sierra Leone's exchange system involves restrictions on payments and transfers for current international transactions, including external payments arrears and a multiple currency practice, as described in SM/82/94. Sierra Leone continues to maintain bilateral payments agreements with Fund members. The Fund urges the authorities to reduce reliance on exchange restrictions and to eliminate the bilateral payments agreements with Fund members.

Sierra Leone--Financial Relations with the World Bank Group
(As of June 30, 1983)

(In millions of U.S. dollars)

IBRD/IDA lending operations

	Disbursed		Undisbursed	
	IBRD	IDA	IBRD	IDA
Agriculture	5.0	15.5	--	14.3
Education	--	10.1	--	20.3
Transportation	6.0	5.2	--	8.5
Power and utilities	7.7	9.9	--	3.3
Technical assistance	--	1.5	--	1.0
Total	18.7	42.2	--	47.4
Of which: repaid	(7.1)	(0.2)		
Total outstanding	11.6	42.0	--	47.4
IFC investment	--	--	--	--

Source: World Bank Group.

SIERRA LEONE - Basic Data

Area, population, and GDP per capita

Area	72,326 square kilometers
Population: Total (1982 estimate)	3.6 million
Growth rate	2.6 percent per annum
GDP per capita (1982/83)	SDR 405

	1978/79	1979/80	1980/81 1/	1981/82 1/	1982/83 2/
			(In millions of leones)		
Gross domestic product and expenditure					
GDP in current market prices	1,029.2	1,155.5	1,338.0	1,565.0	1,995.0
Agriculture, forestry, and fishing	326.9	350.9	403.5	450.0	570.0
Mining and quarrying	115.9	124.6	119.7	129.6	168.8
Manufacturing	54.5	58.7	60.0	70.7	85.7
Trade and tourism	114.6	152.6	171.0	201.5	235.0
Transportation and communications	107.2	159.2	180.6	222.0	296.7
Other	310.1	309.5	403.2	491.2	638.8
Gross domestic expenditure in current prices	1,113.4	1,332.9	1,512.5	1,761.5	2,125.0
Consumption	975.3	1,145.6	1,332.0	1,580.0	1,954.0
Gross investment	138.1	187.3	180.5	181.5	171.0
Resource gap (-) in current prices	-84.2	-177.4	-174.5	-196.5	-130.0
GDP at 1972/73 factor cost	401.7	418.0	420.1	420.1	420.5
			(Annual percent change)		
GDP in current market prices	21.1	12.3	15.8	17.0	27.5
GDP at 1972/73 factor cost	6.0	4.1	0.5	--	--
Gross domestic expenditure in current prices	24.8	19.7	13.5	16.5	20.6
			(In percent of GDP)		
Consumption	94.8	99.1	99.6	101.0	97.9
Gross investment	13.4	16.3	13.5	11.6	8.6
Gross domestic saving	5.2	0.9	0.4	-1.0	2.1
Resource gap (-)	-8.2	-15.4	-13.1	-12.6	-6.5
Consumer prices			(Annual percent change)		
Consumer price index for Freetown (average)	14.1	19.3	13.7	26.3	37.0

1/ The GDP data are provisional estimates.
2/ Projections.

SIERRA LEONE - Basic Data (continued)

	1978/79	1979/80	1980/81	1981/82	1982/83 1/	1983/84 2/
Central government operations			(In millions of leones)			
Total revenue and grants	174.0	192.0	228.3	206.3	181.3	324.2
Taxes on net income and profits	42.2	38.1	53.1	42.6	42.7	71.9
Taxes on goods and services	28.5	28.6	43.7	45.2	38.5	51.2
Taxes on international trade	83.7	86.5	98.0	83.2	57.0	103.9
Other revenue and grants	19.6	38.8	33.5	35.3	43.1	97.2
Total expenditure	290.3	334.0	382.3	367.1	451.0	534.2
Current expenditure	182.2	192.1	246.3	248.8	261.6	359.2
Development expenditure	32.1	82.1	63.9	94.9	100.0	170.0
Other expenditure	76.0	59.8	72.1	23.4	40.0	--
Arrears reduction	...	...	...	...	49.4	5.0
Overall deficit (-) 3/	-116.3	-142.0	-154.0	-160.8	-269.7	-210.0
Financing	116.3	142.0	154.0	160.8	269.7	210.0
External (net)	46.6	70.0	32.4	31.9	41.0	15.8
Domestic	69.7	72.0	121.6	128.9	228.7	194.2
Banking system	(58.7)	(55.7)	(113.6)	(140.0)	(224.8)	180.0
Nonbank sources	(11.0)	(16.3)	(8.0)	(-11.1)	(3.9)	14.2

	1978/79	1979/80	1980/81	1981/82	1982/83
			(In percent of GDP)		
Total revenue and grants	16.9	16.6	17.1	13.2	9.1
Total expenditure	28.2	28.9	28.6	23.5	22.6
Overall deficit (cash basis)	11.3	12.3	11.5	10.3	13.5
Overall deficit (commitment basis)	11.3	12.3	13.3	12.9	11.4
Domestic bank financing	5.7	4.8	8.5	8.9	11.3
Money and credit (end of period)			(In millions of leones)		
Foreign assets (net)	10.57	-51.24	-164.43	-236.96	-258.01
Domestic credit	272.94	331.49	462.43	609.87	850.27
Claims on Government (net)	198.36	254.10	367.73	507.79	732.59
Claims on private sector	74.58	77.38	94.70	102.08	117.68
Money and quasi-money	213.78	249.66	258.59	324.49	441.29
Other items (net)	69.73	30.59	39.41	48.42	150.97
			(In percent of GDP)		
Domestic credit	26.5	28.7	34.6	39.0	42.6
Claims on Government (net)	19.3	22.0	27.5	32.4	36.7
Money and quasi-money	20.8	21.6	19.3	20.7	22.1

1/ The government finance data are provisional estimates.
2/ Budget estimates.
3/ Cash basis.

SIERRA LEONE - Basic Data (concluded)

	1978/79	1979/80	1980/81	1981/82 1/	1982/83 1/
Balance of payments			(In millions of SDRs)		
Exports, f.o.b.	122.3	177.0	131.5	118.5	109.1
Imports, f.o.b.	-217.3	-270.2	-242.2	-247.1	-185.6
Trade balance	-95.0	-93.2	-110.7	-128.5	-76.5
Services	-51.6	-57.9	-54.8	-61.0	-56.1
Unrequited transfers	15.0	19.2	38.4	30.8	27.9
Current account balance	-131.5	-131.9	-127.1	-158.7	-104.7
Long-term capital	45.9	60.6	9.9	-6.7	10.9
Short-term capital and errors and omissions	34.5	11.3	-8.2	45.2	33.8
Allocation of SDRs	3.2	3.2	3.2	--	--
Overall balance	-47.9	-45.6	-122.2	-120.2	-60.0
Of which: covered by arrears accumulation	(34.9)	(16.1)	(58.6)	(86.2)	(23.3)2/
			(In percent of GDP)		
Exports	16.6	20.9	13.4	10.3	8.8
Imports	29.4	32.0	24.7	21.6	14.9
Current account deficit	17.8	15.6	13.0	13.9	8.6
Overall deficit	6.5	5.4	12.5	10.5	4.1
Gross official foreign reserves (end of period)			(In millions of SDRs)		
Holdings of SDRs	0.5	1.3	0.1	--	0.7
IMF reserve position	--	--	--	--	--
Foreign exchange	25.9	28.1	16.5	10.3	9.2
Total	26.4	29.4	16.6	10.3	9.8
External public debt (disbursed at end of period)	215.0	260.7	299.1	307.6	359.3
Effective exchange rates 3/			(Fourth quarter averages; 1975 = 100)		
Nominal trade-weighted	82.0	79.1	82.6	86.7	...
Real trade-weighted	94.4	88.8	103.5	134.1	...

1/ The balance of payments data are provisional estimates.
2/ As of March 1983.
3/ A downward movement indicates a depreciation.

Sierra Leone: Debt Service Profile, 1982/83-1987/88 1/

	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88
			(In millions of SDRs)			
Debt service payments (non-Fund)	45.4	56.2	57.6	58.8	63.2	65.2
Principal	35.3	45.4	47.0	43.0	41.5	38.5
Interest 2/	10.1	10.8	10.6	15.8	21.7	26.7
Debt service payments (Fund) 2/	5.7	11.7	17.5	17.1	20.9	20.2
Repurchases	2.3	7.9	14.2	10.8	11.9	11.6
Charges	3.4	3.8	3.3	6.3	9.0	8.6
Debt service payments (Fund and non-Fund)	51.1	67.9	75.1	75.9	84.1	85.4
Interest payments (Fund and non-Fund)	13.5	14.6	13.9	22.1	30.7	35.3
	(Debt service in percent of merchandise exports only) 3/					
Debt service ratio						
Debt service payments (non-Fund)	41.6	43.2	40.2	37.3	36.5	34.2
Debt service payments (Fund and non-Fund)	46.8	52.2	52.4	48.2	48.6	44.8
Interest payments (Fund and non-Fund)	12.4	11.2	9.7	14.0	17.7	18.5
Memorandum items:						
Exports of goods 3/	109.1	130.2	143.2	157.5	173.2	190.5
Imports of goods	185.6	182.4	191.5	201.1	211.2	221.8
Trade deficit	76.5	52.2	48.3	43.6	38.0	31.3
Current account deficit	104.7	71.5	66.2	59.7	52.0	42.8
Net capital inflow	44.7	19.3	17.9	16.1	14.0	11.5
Balance of payments deficit	60.0	52.2	48.3	43.6	38.0	31.3
Including Fund repurchases	62.3	60.1	62.5	54.4	49.9	42.9

Sources: Data provided by the Sierra Leonean authorities; and staff estimates.

1/ Based on debt outstanding as of end-June 1983, as well as projected new borrowing.
2/ Including projected new borrowing as well as IMF Trust Fund.
3/ Data on exports of services are unavailable.