

**FOR
AGENDA**

EBS/01/118
Supplement 1
Correction 1

CONFIDENTIAL

July 24, 2001

To: Members of the Executive Board

From: The Acting Secretary

Subject: **Sierra Leone—Request for a Three-Year Arrangement Under the Poverty Reduction and Growth Facility and for the First Annual Program**

The attached corrections to EBS/01/118, Supplement 1 (7/19/01) have been provided by the staff:

Page 1, paragraph 1.(a), line 1; for “from July 1, 2001,” read “from _____,”
line 2; for “SDR 130.83” read “SDR 130.84”

Page 1, paragraph 1.(b), for “SDR 74.83” read “SDR 74.84”
for “SDR 102.83” read “SDR 102.84”
for “SDR 130.83” read “SDR 130.84”

Page 1, paragraph 1.(c)(i), for “SDR 46.84” read “SDR 46.838”
paragraph 1.(c)(ii) for “SDR 9.33” read “SDR 9.333”

Page 2, paragraph 1.(c)(iii) for “SDR 9.33” read “SDR 9.333”
paragraph 1.(c)(iv) for “SDR 9.33” read “SDR 9.333”

Questions may be referred to Mr. Kakoza (ext. 36514) and Mr. Tharkur (ext. 38539).

Att: (1)

Other Distribution:
Department Heads

Sierra Leone

**Three-Year Arrangement under
the Poverty Reduction and Growth Facility**

Attached hereto* is a letter (the "Letter") dated June 21, 2001, with its annexed Memorandum on Economic and Financial Policies (the "Memorandum") and Technical Memorandum of Understanding, from the Minister of Finance of Sierra Leone requesting from the International Monetary Fund as Trustee of the Poverty Reduction and Growth Facility Trust (the "Trustee") a three-year arrangement under the Poverty Reduction and Growth Facility, and setting forth

- (a) the objectives and policies of the program that the authorities of Sierra Leone intend to pursue during the three-year period of the arrangement;
- (b) the objectives, policies and measures that the authorities of Sierra Leone intend to pursue during the first year of the arrangement; and
- (c) understandings of Sierra Leone with the Trustee regarding reviews that will be made of progress in realizing the objectives of the program and of the policies and measures that the authorities of Sierra Leone will pursue for the second and third years of the arrangement.

To support these objectives and policies, the Trustee grants the requested three-year arrangement in accordance with the following provisions, and subject to the provisions applying to assistance under the Poverty Reduction and Growth Facility Trust, as amended.

1. (a) For a period of three years from _____, 2001, Sierra Leone will have the right to request loan disbursements from the Trustee in a total amount equivalent to SDR 130.84 million, subject to the availability of resources in the Poverty Reduction and Growth Facility Trust.
 - (b) Disbursements under this arrangement shall not exceed the equivalent of SDR 74.84 million until June 30, 2002, the equivalent of SDR 102.84 million until June 30, 2003 and the equivalent of SDR 130.84 million until June 30, 2004.
 - (c) During the first year of the arrangement:
 - (i) the first loan, in an amount equivalent to SDR 46.838 million, will be available on July 31, 2001, at the request of Sierra Leone;
 - (ii) the second loan, in an amount equivalent to SDR 9.333 million, will be available on December 31, 2001 at the request of Sierra Leone subject to paragraph 2 below;

(iii) the third loan, in an amount equivalent to SDR 9.333 million, will be available on June 30, 2002 at the request of Sierra Leone subject to paragraph 2 below; and

(iv) the fourth loan, in an amount equivalent to SDR 9.333 million, will be available on June 30, 2002 at the request of Sierra Leone subject to paragraph 2 below.

(d) The timing of, and conditions for, the third and fourth loans respectively referred to in paragraph 1(c)(iii) and 1(c)(iv) above shall be determined in the context of the first review of Sierra Leone's program with the Trustee contemplated in paragraph 2(e) below. The right of Sierra Leone to request disbursements during the second and third years of this arrangement shall be subject to such phasing and conditions as shall be determined. The phasing of, and conditions for, disbursements during the second year of this arrangement shall be determined in the context of the second review of Sierra Leone's program with the Trustee contemplated in paragraph 2(e) of this arrangement.

2. Sierra Leone will not request the disbursement of the second, third or fourth loan specified respectively in paragraphs 1(c)(ii), 1(c)(iii) and 1(c)(iv) above:

(a) if the Managing Director of the Trustee finds that, with respect to the second loan, the data as of end-September 2001, with respect to the third loan, the data as of end-December 2001, and with respect to the fourth loan, the data as of end-March 2002 indicate that:

(i) the ceiling on the net domestic bank credit to the central government,
or

(ii) the ceiling on the net domestic assets of the central bank, or

(iii) the floor on the domestic primary budget balance of the central government, or

(iv) the ceiling on the stock of verified domestic payments arrears of the central government, or

(v) the ceiling on the subsidies to the National Power Authority, or

(vi) the floor on the gross foreign exchange reserves of the central bank, or