

SUR/13/98

October 22, 2013

**The Acting Chair's Summing Up
Sierra Leone—2013 Article IV Consultation and
Request for a Three-Year Arrangement Under the Extended Credit Facility
Executive Board Meeting 13/97
October 21, 2013**

Executive Directors agreed with the thrust of the staff appraisal. They welcomed the progress made by Sierra Leone in recent years but noted that poverty remains widespread and improvement in social indicators has been modest. Accordingly, Directors emphasized that strong commitment to sound policies and structural reforms under the new ECF-supported program will be important to consolidate macroeconomic stability, build policy buffers, and foster sustainable and inclusive growth.

Directors stressed the importance of continued efforts to strengthen the fiscal position. They welcomed the authorities' renewed focus on revenue mobilization and their plans to improve expenditure controls and avoid further spending overruns. They looked forward to the authorities' medium-term expenditure framework which should guide the implementation of the new Poverty Reduction Strategy, including giving priority to infrastructure investment and pro-poor spending. To boost revenue, Directors called for measures to increase efficiency in tax administration, broaden the tax base, and establish a comprehensive tax regime for the natural resources sector. Accelerating public financial reforms should help strengthen budget processes and expenditure management, especially management of capital expenditure.

Directors welcomed efforts to improve debt management capacity and urged the authorities to continue to cover Sierra Leone's financing needs mainly with grants and concessional loans. They also called for a careful prioritization of large-scale infrastructure projects envisioned in their Poverty Reduction Strategy. Directors advised the authorities to ensure that large projects are consistent with macroeconomic stability and debt sustainability.

Directors encouraged the authorities to maintain a tight monetary policy to reduce inflation further. The monetary authorities should stand ready to raise the policy rate and mop up excess liquidity, if inflationary pressures intensify. Given Sierra Leone's vulnerability to external shocks, Directors saw merit in increasing international reserves over the medium term and maintaining a flexible exchange rate.

Directors noted that, while the financial sector has expanded significantly, the provision of financial services remains limited. They encouraged the authorities to take additional steps to broaden access and facilitate intermediation. Addressing gaps in banking supervision and strengthening the Anti-Money Laundering and Combating the Financing of Terrorism framework will also be important.

Directors emphasized that deeper structural reforms remain necessary to foster broad-based growth and reduce poverty. Key priorities should focus on improving the business environment, investing in infrastructure, including energy sector, and advancing economic diversification.

It is expected that the next Article IV consultation with Sierra Leone will be held in accordance with the Executive Board Decision on consultation cycle for members with Fund arrangements.