

**EXECUTIVE
BOARD
MEETING**

EBS/15/10
Correction 1

March 13, 2015

To: Members of the Executive Board

From: The Secretary

Subject: **Sierra Leone—Second Review Under the Extended Credit Facility Arrangement and Financing Assurances Review, and Requests for Augmentation of Access Under the Extended Credit Facility and Debt Relief Under the Catastrophe Containment and Relief Trust**

Board Action:

The attached corrections to EBS/15/10 (2/17/15) have been provided by the staff:

Factual Errors Not Affecting the Presentation of Staff's Analysis or Views

Pages 15 and 31

Questions:

Ms. Kabedi-Mbuyi, AFR (ext. 36387)
Mr. Orav, AFR (ext. 34492)
Ms. Masha, AFR (ext. 35939)
Ms. Parulian, AFR (ext. 36167)

In staff's views, the ongoing epidemic is a Qualifying Public Health Disaster under the CCR Trust: it has been spreading in Sierra Leone and to five other countries in the region, and was declared a Public Health Emergency of International Concern on August 8, 2014 by the World Health Organization. The Ebola epidemic has also resulted in significant loss of lives and disrupted livelihoods, reducing economic activity and creating additional BOP needs. For 2014–15, the combined revenue shortfall and increased spending

compared with pre-Ebola staff's projections is estimated to amount to 10 percent of non-iron ore GDP, and the cumulative output loss is estimated at 34 percent. The authorities put in place mitigating measures to contain and fight the epidemic from the outset. In staff's views, they also maintained a sound macroeconomic policy environment as evidenced by satisfactory performance under the program. Under the CCR Trust, Sierra Leone is eligible for debt relief in an amount equivalent to 20 percent of quota (SDR 20.74 million), covering 89 percent of its debt service obligations to the Fund falling due during ~~March~~ February 2015–February 2017. The authorities are requesting that following approval of their request by the Executive Board, Sierra Leone benefits from immediate relief on these obligations to help address BOP financing needs, and catalyze similar support from other creditors.

- *Provision of indirect budget support.* Staff proposes that half of resources from the access augmentation (equivalent to 25 percent of quota), as well as the debt relief be used to finance the fiscal financing gap of US\$68 million in 2015. Operationally, the BoSL would lend the Leone equivalent of the access augmentation resources to the Treasury and sell the forex as government spending occurs.

21. **Sierra Leone's capacity to repay the Fund is adequate** (Table 5). Sierra Leone has a good track record of timely payment of its external debt obligations, including to the Fund. Debt service to the Fund is projected at 0.9 percent of exports of goods and services in 2015–16 while total Fund credit is projected to increase from 105.8 percent of quota in 2014 to 177.9 percent by 2016, reflecting additional IMF financing in 2014–15.

22. **The BoSL made further progress on recommendations from the January 2014 safeguards assessment.** Most measures have been implemented as scheduled, and others are ongoing. Since the authorities are seeking an augmentation of access under the ECF arrangement for 2015, an update safeguards assessment is in progress.

23. **Assessment of program performance will continue to be carried out through semi-annual reviews** (MEFP ¶ 33; and MEFP Tables 2, 4). For the purpose of these reviews, the program

Text Table 5. Sierra Leone: Impact of Ebola Outbreak

	2014-15
Cumulative real GDP loss, percent on non-iron ore GDP ^{1,2}	34.0
Cumulative fiscal impact, percent of non-iron ore GDP ^{2,3}	10.2
Revenue loss ⁴	4.1
Expenditure increase	6.1
Number of cases, as of January 24, 2015	10491
Deaths	3195

Source: Sierra Leone authorities and IMF staff estimates

1/ Change of real non-iron ore GDP levels of pre-Ebola (^{1st} ECF Review, June 2014) and current framework. Non-iron ore used to exclude impact of iron shock.

2/ The cumulative ratio is sum of 2014 and 2015 annual ratios

3/ Fiscal impact for compares pre-Ebola program projections against 2014 outturn and 2015 projections in percent of non-iron ore GDP.

4/ Revenue loss excludes iron ore-related revenue.

Table 6. Sierra Leone: Actual and Proposed Disbursements under the ECF Arrangement, 2013–16

Availability	Disbursements		Conditions for Disbursement
	In Millions of SDR	In Percent of Quota	
October 21, 2013	8.89	8.57	Effectiveness of the three-year ECF arrangement
June 15, 2014	8.89	8.57	Board completion of the first review based on observance of performance criteria for December 31, 2013
September 26, 2014	25.925	25.00	Board completion of Ad Hoc Review and Augmentation of Access of 25 percent of quota
December 15, 2014 ¹	60.740	58.57	Board completion of the second review based on observance of performance criteria for June 30, 2014
June 15, 2015	8.89	8.57	Board completion of the third review based on observance of performance criteria for December 31, 2014
December 15, 2015	8.89	8.57	Board completion of the fourth review based on observance of performance criteria for June 30, 2015
June 15, 2016	8.89	8.57	Board completion of the fifth review based on observance of performance criteria for December 31, 2015
September 10, 2016	8.88	8.56	Board completion of the sixth review based on observance of performance criteria for June 30, 2016
Total disbursements	140.0013 <u>9.995</u>	135.00	

1/ Includes augmentation of access equivalent to 50 percent of quota.