



IMF Executive Board Completes Fourth Review Under PRGF Arrangement for Sierra Leone, Approves Increase in Financial

Support and US\$18.8 Million Disbursement

Washington, June 24, 2009 - /ABC Television-Africa (ABC) - The Executive Board of the International Monetary Fund (IMF) completed on June 17, 2009 the fourth review of Sierra Leone's economic performance under a four-year arrangement Poverty Reduction and Growth Facility (PRGF) arrangement and the review of the financing assurances. In completing the review, the Executive Board also approved an augmentation of Sierra Leone's access under the PRGF arrangement equivalent to SDR 10.37 million (about US\$16.8 million or 10 percent of quota) to help support maintenance of the country's international reserves.

The completion of the review enables the disbursement of SDR 12.185 million (about \$18.8 million), which would bring total disbursements under the arrangement to SDR 32.695 million (about US\$50.3 million). The Executive Board also granted waivers for the nonobservance of one quantitative assessment criteria related to the floor of domestic government revenue.

The three-year PRGF arrangement for Sierra Leone was originally approved by the Executive Board on May 10, 2006 (see Press Release No. 06/94) in an amount equivalent to SDR 31.11 million (about US\$47.9 million). The period of the arrangement was extended to four years to 2010 on July 7, 2008 (see Press Release No. 08/166). With the Board's approval of the augmentation of Sierra Leone's access, the total amount of the arrangement will be equivalent to SDR 51.88 million (about US\$79.9 million).

Following the Board's discussion on Sierra Leone, Mr. Murilo Portugal, Deputy Managing Director and Acting Chair, made the following statement:

“The global economic slowdown has weakened Sierra Leone's near-term economic prospects, and declining world market prices for Sierra Leone's main export commodities—diamonds and bauxite—are severely compressing export proceeds and

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reducing government revenues. The authorities have responded appropriately to the shock, and their continued commitment to maintaining macroeconomic stability will strengthen the foundations for higher economic growth when the global environment improves.

“Responding to the shortfalls in domestic revenue, the authorities are safeguarding capital and poverty-reducing spending, while minimizing the impact on the domestic financing requirements by cutting current non-priority expenditures on goods and services and

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seeking additional external budget support. Since revenue collection remains low by regional standards, efforts need to be stepped up to strengthen tax administration and broaden the tax base. Key steps include the steadfast implementation of measures to make the National Revenue Authority more efficient and the introduction of the Goods and Services Tax in September 2009, but in any event not later than end-2009.

“Maintaining single-digit inflation is the main objective of monetary policy for the remainder of 2009. An appropriate mix of treasury bill and foreign exchange sales by the Bank of Sierra Leone will help sterilize liquidity injections from the execution of the budget. Keeping nominal exchange rate flexibility will facilitate the adjustment to external shocks.

“Structural reforms will be accelerated. The global financial crisis has increased the urgency for the Bank of Sierra Leone to strengthen its supervisory capacity and closely monitor developments to detect early signs of financial sector vulnerabilities. Restructuring the National Power Authority and improving its finances, deepening public financial management reforms, tackling corruption, and enhancing transparency in the use of public resources will promote high economic growth and improve the delivery of public services,” added Mr. Portugal.

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