



**MEETING ON THE CLEARANCE OF ARREARS OWED TO
THE
EUROPEAN UNION AND THE OPEC FUND: 18TH JANUARY
2002,
PARIS, FRANCE
STATEMENT BY MR. PETER J. KUYEMBEH, JP ..
MINISTER OF FINANCE**

Mr. Chairman

Our Creditor Representatives

Distinguished Ladies and Gentlemen

I am gratified to acknowledge that Sierra Leone is about to take another significant step in normalizing relations with two of our creditors in its Post -War economic development process.

On behalf of the Government and the people of Sierra Leone, I wish to convey my deepest gratitude to you, our creditors, for giving us your unflinching support in spite of the huge arrears owed to your institutions.

As you are aware, Sierra Leone has gone through difficult years in its history , particularly during the past decade. The level of destruction as a result of the war has been enormous on the lives of people, property , economic and social infrastructure, including rural settlements, educational infrastructure and institutions, the health sector and governance. This clearly demonstrates that while Sierra Leone is emerging from conflict to peace, there is an enormous challenge to fight absolute and desperate poverty including the restoration of credibility with our creditors as well as achieving sustainable economic growth.

In addition to the major economic reforms, Government has also undertaken a number of structural measures and reforms as well as several initiatives to reinforce peace, security, good governance and the rule of law in Sierra Leone. Progress made under the

disarmament process has been more than expected. Today, January 18, 2002 marks the formal closing date for the disarmament process.

On the structural front, several institutional reforms were introduced during 200 I. In the area of economic management, efforts were sustained in developing the Medium Term Expenditure Framework (MTEF) introduced in 200 I. The MTEF process is aimed at promoting sectoral planning and budgeting over a three-year horizon channelling resources to key priorities and promoting efficiency and effectiveness on public expenditures.

Regarding Civil Service Reforms, a Civil Service Reform Co-ordinator has been appointed under a programme supported by the Department for International Development (DFID) and efforts have been initiated to convert the Establishment Secretary's Office into a Personnel Management Office. The Governance Reform Secretariat, which manages the Public Sector Reforms, will carry out diagnostic studies and the restructuring of key government ministries in 2002.

A National Commission for Privatisation (NCP) has been established to implement the Public Enterprise Divestiture Programme in accordance with the Strategic Plan for the divestiture of public enterprises developed and approved in May 200 I. The Commission is expected to commence operations soon. A Unified and Autonomous Revenue Authority (NRA) has also been established to improve domestic revenue generation, and is expected to start operations by July 2002. Government has also established a Poverty Alleviation Strategy Coordinating Office (PASCO) for the preparation of the full PRSP . Efforts have been initiated to collate current information on the poverty situation in Sierra Leone. Given the pace of preparations to date, it is likely that the completion of the full PRSP will occur in 2003/2004. Recognizing the important role of the private sector in stimulating economic growth, Government appointed a Professional Review Team (PRT) comprising representatives of Government, private sector and the University. The PRT is undertaking an in-depth study of the competitiveness of the private sector, and the economy and will recommend strategies for the creation of a favourable environment for increased investment as well as removing constraints that prevent Sierra Leone from being internationally competitive.

Mr. Chairman, while these efforts are being taken to improve economic management and ensure an effective delivery of public goods and services, we are confronted with a heavy external debt burden against the backdrop of a narrow export base. These factors have severely affected the country's economic performance, eroding investors' confidence. The economic outlook for 2002 is being predicated on a tight foreign exchange situation against increased demand for imports to meet post-war rehabilitation and reconstruction needs. Hence, unless an exceptional cash flow relief is obtained, given Sierra Leone's special circumstances, Government would be unable to meet its financial obligations while at the same time endeavouring to meet financial targets in the Medium Term Programme agreed with the IMP and the World Bank.

On the pace of debt management, budgetary reform and improvement of public expenditure management, Government has achieved considerable success despite the disruptions caused by the protracted civil war. In October 2001, Government concluded the 8th Paris Club round of negotiations with ten participating creditor countries, which provided a broad framework for the rescheduling and refinancing of Sierra Leone's external eligible debts. Also, Government concluded arrangements for the treatment of debt service payments arrears that were owed to some multilateral creditors including IF AD, BADEA and the IDB.

In view of the foregoing, we are seeking exceptional assistance from the European Union and the OPEC Fund aimed at obtaining enhanced cash flow through the rescheduling of arrears owed to these institutions. The Government is firmly committed to normalising and strengthening its relations with both institutions. I am therefore fully hopeful that together we will be able to work out and agree a plan of settlement in a way that Government will not be overburden. The IMP and World Bank staff will soon present our HIPC case to their respective Boards. This will facilitate Sierra Leone reaching the Decision Point under the enhanced HIPC programme at an early date.

Long-term growth in Sierra Leone will depend critically on how well the Government can mobilise external resources including debt relief and expand social sector operations. No doubt, we will continue to rely heavily on your support.

Mr. Chairman, our coordinating donor partner, the World Bank, Ladies and Gentlemen, let me once again, take this opportunity to thank you for giving us audience in presenting Sierra Leone's case.

I thank you for your attention.