

## **Report on Implementation of the Extended Cash and Debt Management (ECDM) Committee Recommendations**

Government established the Expanded Cash and Debt Management Committee (ECDMC) on 3<sup>rd</sup> February 2021 backed by a retroactive Cabinet approval of 28<sup>th</sup> May 2021, referenced (CP(2021)60). The ECDMC was expanded beyond Section 37 (3) of the Public Financial Management Regulations 2018 to cover the implementation of Cabinet decision of 15<sup>th</sup> July 2020 referenced (CP(2020)20) on the Arrears Clearance Strategy and Principles 2020-2025. The Terms of Reference (ToR) of the Expanded Cash and Debt Management Committee include the following:

- 1) Regulation 37(3) further provides that the Committee shall have the following functions: (a) reviewing cash forecasts; (b) approving the consolidated cash plans; (c) discussing financing options; (d) coordinating the cash and debt management; and (e) monitoring the development and management of the Treasury Single Account.
- 2) Facilitate program monitoring and provide advice to management.
- 3) Regular reporting of high frequency data on program performance—quantitative and structural.
- 4) Provide weekly cash management forecasts (revenues, expenditures and financing) for the current quarter and the quarter ahead and report on outturns. Review implications of cash forecasts on the debt stock, and debt and arrears repayment”.
- 5) Oversee debt issues (e.g., external and domestic, including arrears) and debt reporting.
- 6) Review the monthly commitment report from the Accountant General required under Regulations 96(2) and monthly revenue report from National Revenue Authority required under Regulations 75(b).
- 7) Oversee the implementation of the Arrears Clearance Strategy and Principles 2020-2025 as adopted by Cabinet in its Memorandum of 15th July 2020, referenced CP(2020)50.
- 8) Periodically discussion debt sustainability, financing options and management of the arrears clearance.
- 9) Collaborate with the Bank of Sierra Leone to promote synergy on fiscal, monetary, and financial sector policies.
- 10) Develop and maintain an accurate database on the stock of domestic arrears (including interest components), track actual payments, and report on balances of the stock of domestic suppliers’ arrears across Ministries, Departments and Agencies.
- 11) Produce quarterly report on the Arrears Clearance process and submit the report to the Honourable Minister of Finance for approval and publication.

### **ECDMC MEETINGS**

The ECDMC meets regularly since inception but its activities were interrupted by the CoVID-19 pandemic and its associated economic challenges. Following the last Article IV and 5<sup>th</sup> Review Mission of the International Monetary Fund (IMF) in March 2022 more than four ECDMC

meetings have been held to monitor implementation of the program. The committee agreed to extend the frequency of meeting from twice a month to weekly in view of the challenging fiscal situation. Further actions to strengthen the function of the ECDMC are detailed in annex I.

## **HIGHLIGHTS OF KEY RECOMMENDATIONS FROM ECDMC MEETINGS**

### ***Highlights from the deliberations held on 2<sup>nd</sup> and 23<sup>rd</sup> March 2022 and recommendations***

In the meetings held on 2<sup>nd</sup> and 23<sup>rd</sup> March 2022, the committee made the following recommendations for the consideration and approval of Management:

- 1) **Low Revenue Performance from Fisheries:** The committee suggested that a meeting should be organized at executive level between MoF and the Ministry of Fisheries to address the revenue shortfall in this sector.
- 2) **Monitoring of unpaid cheques/payables:** The meeting underscored that unpaid cheques/payables are critical component of financing which when exceeded in accumulation would negatively impact on the financing. The committee therefore noted that it would be good to monitor unpaid cheques regularly and requested the AGD to regularly submit the list of unpaid cheques to the Committee.
- 3) **Regular Reconciliation of revenue numbers:** The committee called for regular reconciliation of revenue numbers between AGD and NRA before the Expanded Cash and Debt Management Committee meetings. It was also noted that reconciliation meetings should be held between the Bank of Sierra Leone and MoF.

### ***Highlights from the deliberations held on 21<sup>st</sup> April 2022 and recommendations***

In the meetings held on 21<sup>st</sup> April 2022, the committee deliberated on the following issues and made the following recommendations for the consideration and approval of Management:

**Poor domestic revenue performance.** The daily revenue outturn during the past two weeks was estimated at between Le12 and Le15 billion respectively. The meeting acknowledged that Government has huge expenditures during the week and that the projected revenue outturn will not match the expenditure. Therefore, the following conclusions were made: -

- a. That Government's fiscal position should be tightened during this week.
  - b. Furthermore, given that, the borrowing limit has been exceeded amidst low revenue performance, it was recommended that Government should implement cash budgeting going forward.
  - c. The meeting also noted the need for prioritizing Government's statutory expenditure and therefore reviewing revenue and expenditure projection for the remaining weeks to end-June 2022, which is the test date for the IMF program.
- 2) **Recommendation: The meeting recommended the following: -**

- a. That, Government should halt new borrowing in the domestic debt market to bring the IMF program back on track by end-June 2022,
- b. that, Government prioritizes non-discretionary expenditure and put on hold all discretionary expenditure until further notice,
- c. that, salaries for April 2022 must be prioritized given that this month ends with national holidays,
- d. AGD must enforce the moratorium on arrears clearance until further notice,
- e. AGD must provide the Expanded Cash and Debt Management Committee with a regular update on the status of the cheque payable, and
- f. The next Expanded Cash and Debt Management Committee must focus on domestic revenue mobilization and discuss revenue and expenditure projections as well as any room for redemption in the domestic debt market to revert to the IMF program on track for end-June 2022.

***Highlights from the deliberations held on 27<sup>th</sup> May 2022 and recommendations***

- a) That Government should halt new borrowing in the domestic debt market to keep the IMF program back on track,
- b) that, Government prioritizes non-discretionary expenditure and put on hold all discretionary expenditure until further notice.
- c) that, salaries for May 2022 must be prioritized
- d) AGD must enforce the moratorium on arrears clearance until further notice
- e) Budget Bureau must take lead in the monitoring of the stock of cheques at both AGD and the Bank of Sierra Leone.

***Highlights from the deliberations held on 2<sup>nd</sup> June 2022 and recommendations***

- a) On a general note, the committee reiterated that holding the Cash Management Meeting on a weekly basis has very important advantage in that there is room for issues to be reviewed over and over again on a weekly basis.
- b) The meeting also recalled that Government borrowing position is tight given that by end May 2022, it has utilized almost half of its borrowing space in the domestic market. The Public Debt Management Division was advised to take note of this position and reconsider revising the borrowing calendar to reflect the current situation.
- c) It was agreed that the Accountant General's Department, NRA and Budget Bureau should provide reconciled data on Cash Flow figure, Revenue Collection and Cheques at BSL and at Accountant General over the period January – June 2022 in order to help the committee to take robust decisions for policy advice.

**Conclusion**

The resumption of the ECDMC has helped to align expenditures to the available resource envelop. In particular, priority has been placed on statutory expenditures in the recent months and non-discretionary expenditures including capital spending have been kept at minimal levels.

The main challenge has been keeping within the domestic borrowing limit mainly because domestic revenues has fallen below statutory expenditures.

We have attached copies of the recent four minutes of the ECDMC meetings.