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SOUND PRACTICE IN DEBT MANAGEMENT LEGISLATION: THE CASE OF SIERRA LEONE

BY

SAHR L JUSU
MASON FELLOW, HARVARD UNIVERSITY
The 1991 Constitution empowers Government to borrow or lend

- Requires a MINISTER to lay before Parliament Terms and Conditions of a new foreign borrowing
- Not Less than 10 additional Acts amplified the Constitutional Provision
- Over 20 other borrowing powers vested in Public Officials under various public enterprise Acts
Challenges & Limitations

• The Constitution did NOT specify/cover:
  • Who should borrow for and on behalf of the State—just a MINISTER-Finance? or Agriculture, Foreign Affairs?
  • Even GBAA 2005 confers the power to borrow generally on Government & Not on MOF
  • Clearly stated borrowing purpose and procedures
  • Borrowing by state-owned enterprises and Local governments-Issues of huge contingent Liabilities
  • Multi-state-enterprise borrowing Powers
Challenges & Limitations (cont’d)

- Existing legal system was fragmented and difficult to track liabilities
- Lacks clarity in role by agencies
- Subjected to manipulation and abuse

In the WB DeMPA Report 2009, the legal framework was rated D (D means does not meet minimum requirement -A- Best practice)
The new Public Debt Management Act, 2010

Key Objective-
To strengthen existing legislative frameworks aimed at improving Transparency and Accountability in debt management practices by public officials

The New Law has:

- Consolidated and harmonized all legislations for central Government, Local Governments, Public enterprises and suppliers credits by MDAs
- Placed sole authority on the Minister of Finance
- Clearly laid out borrowing objectives, purpose and procedures
The New Public Debt Management Act, 2010

- Well defined Institutional arrangement, roles & responsibilities: Parliament, Cabinet, MOF, Central Bank of Sierra Leone, AG, Mandatory responsibilities of Minister to:
  - Submit annual report to Parliament-3 months after end of Fiscal Year
  - Reporting to the public the terms and conditions of a new loan
  - Submit annually, a Medium-Term DMS to Cabinet for approval
- Established a career DM Division within MOF and enhanced operational mandates
The new Public Debt Management Act, 2010

- A well defined regulatory framework for borrowing by local councils and public enterprises
- Spelt out consequences of unauthorized loans, guarantees, financial transactions by local councils/governments and public enterprises.

President Koroma on October 10, 2010 said that “for the first time in the history of this country, the Government has developed a framework for the formulation of a comprehensive national debt law” which covers “all levels of Government and provides a clear approach to effective public debt management practices.”
Next Steps

- Already Laid before Parliament for debate and approval by mid November 2010
- Presidential Accent
- Develop statutory /Administrative instruments
- Fully Implementation
THANK YOU!