

***SPEECH BY MR J. SANPHA KOROMA,
GOVERNOR OF THE BANK OF SIERRA LEONE
AT THE GOVERNOR'S DINNER
GIVEN IN FREETOWN, JUNE 28, 2002***

Your Excellency Mr Vice President

The Honourable Chief Justice

Honourable Speaker of Parliament

Cabinet Ministers and Deputy Ministers Designate

Honourable Members of Parliament

Your Excellencies Members of the Diplomatic and Consular Corps

The Chairman, Freetown City Council Committee of Management

Distinguished Ladies and Gentlemen

At last year's Dinner, I observed how the Bank had progressed from a long period of somnolence to a Governor's Lunch and to a Dinner, consistent with improvement in the national security situation. I expressed then, the hope that we would be able to continue this tradition uninterrupted for the years ahead. It is, therefore, with great pleasure that I seize this opportunity, on behalf of the Board of Directors, Management and Staff, to welcome you all to this year's Dinner within an atmosphere of peace.

As always, this occasion provides the opportunity for us at the Bank to apprise the country on the recent macro-economic developments both on the international and domestic levels and to assess their effects and implications on our own policies and our operations. On behalf of the financial community, I would like first of all to congratulate His Excellency Alhaji Dr Ahmad Tejan Kabbah for his re-election to a second term of office; and I also congratulate Mr Solomon E. Berewa on his own election as Vice President of this country. Further, I want to express profound thanks and appreciation to we, the people of Sierra Leone, for the demonstrated maturity and forbearance in going through a historic, fair and violent-free election.

And to all Ministers and Deputy Ministers Designate, I extend hearty congratulations and wish them a safe and smooth passage through Parliament, as well as successful tenures of office. We welcome in particular, the new Minister of Finance, Mr J. B. Dauda and his Deputy, Dr James B. Rogers. To all Honourable Members of Parliament I congratulate you on your election and wish you well.

Mr Vice President, Distinguished Ladies and Gentlemen, on this occasion last year, I introduced Mr Peter Dimoh as a new member of the Board of Directors of the Bank. It is with deep regret that I announce his death and also that of a respected past Governor and past Minister of Finance, Dr James Sallu Funna. As we recall and acknowledge their invaluable contributions to the development and work of the Bank, let us also extend our heartfelt sympathies to their families and pray that their Souls Rest in Perpetual Peace.

Early this year, Dr James Kaiser Boima, a distinguished surgeon, was appointed to the Board of the Bank. He brought with him a new dimension to our deliberations and was indeed a pleasurable colleague to work with. However, he has now been nominated to the higher position of Cabinet Minister. We pray that he passes through the rigours of Parliament and wish him well in his new assignment.

Your Excellencies, Distinguished Ladies and Gentlemen, I am delighted to be talking to you this year, which is so special for all Sierra Leoneans; special in many ways. First, our gruesome war officially ended; second, we have just seen ourselves through a historic general election marked by peace, fairness and non-violence. That process is followed by a new post-war Government and Parliament with unique characteristics and challenges. Third, over and above the last two, the country continues with the successful implementation of successive macro-economic structural adjustment

programme supported by the International Monetary Fund (IMF), World Bank and other first tier donor resources; and fourth, this year marks a very critical stage in our efforts at sub-regional monetary integration that are aimed at establishing a sub-regional Central Bank and creating a unitary, yet wider and more sustainable financial and banking environment for six countries and with a market of about 162 million people.

All of these four developments are of great significance and with wide and deep implications for both our respective and collective efforts at raising the standards of living of our people and reducing the levels of poverty. Over the last two years, great attention has been given to the subject of our sub-regional monetary integration now commonly known as the West African Monetary Zone (WAMZ). So as we progress on this process, particularly as we look forward to the establishment of the West African Central Bank and other supporting structures at the earliest opportunity, it is imperative that I continue to delve on that subject, if for nothing else, but to drive home the stark realities of a unitary currency and banking system, a wider and more competitive market and the obligations and responsibilities they impose on us all.

The second part of my address will dwell on frank and candid reflections on the worrying economic aspects of our national character. Here, I will be rather blunt, albeit fair, in looking at our current outlook from within.

GLOBAL DEVELOPMENTS

Your Excellencies, Distinguished Ladies and Gentlemen, on the international economic scene, there have been several and serious developments over the last year that have varying degrees of impact on developing economies. But more specifically, a curious combination of political and economic events with our principal partners has produced also mixed results on basic macro economic fundamentals. The developments include:

- The now infamous September 11, also known as the “9-11” terrorist attacks on the World Trade Center and on the Pentagon, the global seat of economic and military power, respectively;
- The onslaught on private sector governance expressed in the debacles of global giants like Enron, Global Crossing, Worldcom, Vivendi Universal and Tyco, to name the major ones;
- The post Y2K doldrums;
- The continuing recession in the Japanese economy; and finally,
- The recent deflation of the stock market bubble.

While these events are still simmering with varying degrees of velocity, it is now a fact that they have all led or are leading to both a serious depreciation of assets in global markets, as well as a collapse on corporate profitability. The post Y2K hangover, for example, continues to erode corporate and personal assets accumulated during the pre-millennium boom, while the troubles of the global giants are triggering series of reviews and re-evaluations of regulatory regimes and processes as well as corporate governance worldwide.

On the upside, the American economy continues to recover inspite of these developments and macro-economic fundamentals remain strong; the British economy is relatively sound and the European Central Bank, which successfully launched its currency in the beginning of the year is registering marked successes resulting in more efficiencies in those markets as well as improved fiscal performance in the respective member economies.

At the regional level, Africa is once more riding the whirlwind of a new agenda – the New Partnership for African Development (NEPAD). This is intended to focus Africa’s efforts at ridding the continent of all of its woes – civil wars, disease, hunger and, of course, poverty. While this is still largely a political agenda, economists and central bankers are striving to grasp its operational details and modus operandi. At the G8 Annual Meeting in

Canada, this week, it is being presented by its principal architects, the Presidents of Algeria, Nigeria and South Africa. We await the response of the Meeting.

DOMESTIC ECONOMIC DEVELOPMENTS

Your Excellencies, Distinguished Ladies and Gentlemen, I have already touched briefly on the four major developments in our country over the last 12 months. From the macro-economic standpoint, the Sierra Leonean economy grew at a rate of 5.4% in 2001 up from 3.8% in 2000. The indications are that 2002 might register an even higher growth rate, all things being equal. Of significance were several factors, all pointing to the right direction including the renewal in business confidence evidenced by the surge in banking sector credit to businesses, the return of the displaced population and their re-engagement in productive agricultural activity. In particular, also, we note the successful development in the resuscitation of Sierra Rutile and hope that with an improved business climate and the reorientation of our policies, other mining interests by major players will be encouraged in the near term.

In the fiscal front, government revenues were on target; thanks largely to improved imports and excise duties, and corporate taxes. All of these registered an increase of 35% over the previous year. Another welcome development was the marked reduction in the incidence of duty free exemptions and concessions. The budget also remained largely on course and half way within the year, the areas of concern both by the fiscal and the monetary authorities remain the uncontrolled trends in wages and salaries particularly in the educational sector.

As bankers to government, the Treasury's overdraft continues to worry us. But we hope that the revenue agencies will redouble their efforts and programmed aid flows continue uninterrupted, so that monetary policy can achieve its objectives of lower inflation and stable exchange rates.

Currently, the rate of growth of money supply and inflation are satisfactory with inflation **as at April 2002 registering 5% lower than it was in April last year.**

On the foreign exchange market, the weekly auctions have been hugely successful and as at this week we have had 122 sessions successively, all transparently and competitively. The results and their effects have not only been a historic rein on inflationary trends but also register the longest period of exchange rate stability over the last 15 years. At a CPI figure for April 2002 of -0.55 and a year-on-year figure of -4.19 our rate of inflation is the lowest in the sub-region, while our exchange rate is also the most stable within the sub-region. With stability in national security, on political developments and stability in macro economic fundamentals, these will certainly provide an attractive environment for both investors and development partners, foreign as well as domestic.

Regarding rural financial intermediation, we are glad to report that with improved security nationwide, the commercial banks have again re-established their branches in Bo and Kenema for the time being. We hope that once these are consolidated, the network re-establishment will continue. Of the 8 rural banks that were closed as a result of the civil war, we hope to re-open two of them as soon as possible, and certainly we shall put on fast track the process of re-opening the others as circumstances permit.

Mr Vice President, Distinguished Guests, on my appointment, I undertook not to be an undertaker of any major financial institution during my tenure. More than four years down the road, not only have we not witnessed a banking failure, a common feature of previous regimes, but we have seen, during this time, the entrance of two new commercial banks, the establishment of the first discount house and the growth of other non-bank financial houses, all geared at the strengthening and deepening of the

financial sector. Hopefully, a Stock Exchange will soon be opened in readiness for the establishment of the National Commission on Privatisation, to trigger off a regime of private sector development on a transparent, competitive and accountable premise.

In November 2001, the organisation, management and operations of the Bank of Sierra Leone were reviewed by the International Monetary Fund. That review concluded that:

“The structure and the management of Bank of Sierra Leone is in remarkable condition given that the Bank was close to destruction during the period of the junta.”

The report also noted:

“Given the difficult times Sierra Leone has gone through, it is remarkable that the Bank has been able to remain a quality organisation with serious and dedicated management and staff.”

Furthermore, for the first time in its history, the Bank went through a complete Safe-Guards Assessment in May this year, also conducted by a joint mission of the International Monetary Fund and the World Bank. That mission concluded:

“The mission has been impressed by the significant progress that has been achieved by the Bank since the destruction of its facilities and the traumatic experiences of its staff only three years ago. This achievement reflects the determination, loyalty and hard work of the staff and it is a credit to the leadership of management.”

All of these achievements would not have been possible without the relative independence of operations that the Bank enjoys under the administration of His Excellency the President, Alhaji Dr Ahmad Tejan Kabbah; we are mightily grateful for this.

At this juncture, Your Excellencies, Ladies and Gentlemen, I seize the opportunity to congratulate, very robustly, the government on its action in finally establishing a National Social Security and Insurance Trust and Social Security Scheme aimed at providing, for the first time, a proper and institutionalised retirement and other benefits to meet the needs of workers and their dependants after a period of useful service to the nation, whether in private or in public life. I urge the government to continue to demonstrate similar courage in encouraging and promoting the establishment of similar institutions, schemes and initiatives, as long as they are focussed at the public good, and the promotion of our national aspirations.

In this context, I am happy to report that we in the Bank of Sierra Leone have now established a Private Sector Development Unit, consistent with developments elsewhere, geared purposely at providing technical support to, and interfacing between multilateral financing outfits and, the organised private sector in Sierra Leone. That unit replaces the former Structural Adjustment Procurement Unit and before it, the Credit Guarantee Schemes.

Mr Vice President, Distinguished Ladies and Gentlemen, during the year under review, the joint Boards of Directors of the International Monetary Fund and the World Bank approved a three-year medium-term macro-economic arrangement under the Poverty Reduction and Growth Facility (PRGF) supported by a resource compliment of approximately US\$164 million. That programme started in September last year and a successful first review was completed in December. The second review mission left Sierra Leone this week and while we wait for the verdict, we are reasonably confident of a clean bill of health as there has not been any major hiccups or intolerable lapses so far.

Also in March this year, with improved macro-economic performance of the economy, the joint Boards of Directors of the same institutions approved

Sierra Leone's attainment of a Decision Point under the enhanced Highly Indebted Poor Countries (HIPC) Initiative. This is a term facility that provides programmed debt relief at various points, the last being the Completion Point. Attaining Decision Point status qualifies Sierra Leone for substantial debt relief of the magnitude for instance of 97% for both World Bank and the International Monetary Fund debt service obligations, and on Naples terms under the Paris Club rescheduling framework. The savings under these initiatives which today amount to approximately Le37 billion are lodged with the Bank of Sierra Leone and can only be applied towards mutually agreed sectors and under strict transparent and accounting procedures.

On our domestic macro-economic management, therefore, let me seize the opportunity of this occasion, on behalf of the Bank and on my own personal behalf, to express grateful thanks to both the government and the fiscal authorities and also my colleagues in the finance and banking sector, for their cooperation, their collective efforts and their contributions towards the positive achievements that we have registered over the year. I only want to assure you that, on our part, we will continue to be good and cautious bankers to Government and fair supervisors and regulators to our colleagues on the other side.

SUB-REGIONAL MONETARY COOPERATION PROGRAMME

Mr Vice President, Your Excellencies, Distinguished Ladies and Gentlemen, let me apprise you very briefly of the developments so far on the Second Monetary Zone project. For the year under review, the West African Monetary Institute (WAMI), the forerunner to the Central Bank, has continued to undertake the preparatory technical work on the project. The convergence criteria set to converge our economies, policies and processes continue to be operative and monitored with varying degrees of success. The 7th Convergence Council Meeting was held here in Freetown in April this year, and the 8th has just concluded last week in Accra, Ghana.

Various statutes are at various stages of being drafted, revised and promulgated. Effective April 1, 2002, the Exchange Rate Mechanism (ERM) became effective for the participating countries; and it is refreshing to note that with our exchange rate relatively stable, we shall remain well within the stipulated band for the rest of the first period ending September 30, 2002. Meanwhile, the tussle for the headquarters of the Bank rages but, hopefully, by the next summit of the Authority of the Heads of State of ECOWAS, the headquarters and the principal officers, namely, the Governor, two Deputy Governors and an Executive Board will be named.

It is also important to state that, like the European Central Bank, the establishment of the West African Central Bank slated for 2003 does not imply the circulation and availability of a currency – bank notes and coins – in 2003. This aspect of the project comes at a much later date and it is preceded by the completion and implementation of strong “*building blocks*” over and above the quantitative convergence criteria. These include common tariffs, common corporate, PAYE and sales taxes, a common investment code and trade relations, and a common supervisory and regulatory system for financial markets. The WAMZ Convergence Council of Ministers and Central Bank Governors is very actively addressing these structural and qualitative conditionalities.

At this point, let me refresh our minds on the merits of that project. First, what is now national macro-economic policy will be centralised within a stronger and bigger monetary authority that will have tremendous advantages.

Second, both quantitative and qualitative, the convergence criteria, monetary and fiscal, have the ultimate effect of instilling greater and more effective budgetary discipline in our respective national treasuries.

Third, the system of foreign exchange pooling has inherent in-built characteristics to assess, rationalise and correct temporary balance of payment disequilibria.

Fourth, capital markets will open up, creating in the process, enormous investment opportunities and reducing market distortions and transaction costs for business development.

Fifth, with a larger and more buoyant regional market of nearly 170 million people, this will provide gains and maximise economic externalities and multiplier effects that are not possible under our present insular economies.

Sixth, a common Central Bank with common monetary policy and consistent fiscal policies together will add weight and lustre to our dealings with the wider international community.

And finally, regional integration in all its forms will promote the faster achievement of our ultimate goals in accelerating growth, facilitating capital movements, and reducing poverty at all levels.

Additionally, as the engine for growth and development, the private sector will have a wider and freer environment within which to operate with lesser bureaucratic encumbrances. Mr Vice President, Distinguished Guests, I continue to commend that project to all of us.

Your Excellencies, Distinguished Guests, I would now like to devote the second part of this address to a purely domestic issue. I realise that in doing so, I run the risk of "*washing our dirty linen in public*", so the saying goes, but that in itself may not be a bad idea, for after all, it is sometimes necessary purely as a means of corrective measure when the options are limited, to resort to such a medium. More specifically, I want to address the **NEGATIVITY SYNDROME**, which has crept into our culture and is fastly eating into our collective daily behaviour.

That negativity syndrome expresses itself in the following characteristics:

- The poorest country;

- The darkest city;
- The most unpleasant place in the world to live in;
- The highest death rate/the lowest life expectancy rate;
- The most corrupt country; etc. etc.

To many of us who are conversant with both international and domestic macro-economic statistics, we know, without doubt, that all of these negatives are largely subjective, hardly the product of empirical statistics; but I do not intend to prove that submission in this address. It belongs to another context at another time. But let us ponder over a few salient points:

- If we were so poor why are international hustlers and other foreigners flocking into this country to cart away our resources?
- Every traveller within the West Coast knows that there are darker cities than Freetown even within our sub-region.
- If this is the most unpleasant place to live why do senior international civil servants weep publicly on notification of transfer; and why do many return to establish business or get themselves recycled into new outfits?
- How many countries in the world have formal Anti-Corruption Commissions? For the record, Sierra Leone is not even listed among the 21 most corrupt countries out of 51 African countries.

However, it is important that we look briefly at the consequences and implications of these wild assessments on us as a people and as a country.

For starters, the negativity syndrome breeds and reinforces the culture of total dependency on anything foreign. We are suddenly depending on foreign handouts and on foreign ideas whether or not they are good, or they are sound and therefore useful to us.

Second, the negativity syndrome breeds and reinforces an inferiority complex in us as a people. Suddenly, every other country except ours is better, and therefore, Sierra Leoneans become refugees all over the world. We have an inferiority complex for foreigners, even the bad ones; the foreign refugees and the economic migrants into Sierra Leone are perceived to be better than us.

The third effect of the negativity syndrome is that it engenders and reinforces in us a sense of hopelessness, a sense of helplessness and yes, indeed, a sense of effortlessness. All too sudden, our people that were known to be so industrious, full of vigour and energy, and once admired by all are now filled/consumed by a sense of hopelessness. Hopelessness within the family, hopelessness in our industries and hopelessness in the very survival of the nation.

Sierra Leoneans have also become helpless, when yesterday we were people of such industry and of lofty ambitions, subscribing to all international institutions and organisations on an equal footing with all nations; today, we all feel so helpless. The efforts with which most of us grew, and saw vividly in our parents, in our civil service, in industry and even in politics, seem to have all fizzled out, and today we have become a people seriously lacking in efforts. Homes do not any longer provide the security that members used to look forward to so earnestly. Schools no longer provide the fountain of opportunities and knowledge that are required for nation building. And instead of becoming a people of industry and hard work our efforts have been reduced to a nation of traders; carting and peddling all kinds of goods as long as they are foreign made.

In short, Mr Vice President, Distinguished Guests, we are witnessing a generation of gloom and doom in every aspect of our society as a result of this negativity syndrome. We certainly cannot continue along these lines and if we must change, that change has to be now. The end of the war and

the elections, which we have just so successfully concluded jointly, provide us with the greatest opportunity of a lifetime. Change to a collective positive attitude presents serious challenges and only if we are willing and determined to meet these challenges can we succeed.

We must reduce our level of dependency, we must perceive ourselves as a strong and industrious people with all the resources at our disposal to make our country not only admired and retaking its place in the League of Nations, but also making ourselves a respectable people once more. For that to happen, discipline has to be inculcated once more both at home and outside; our educational system must be reviewed, we must make serious efforts and allowances at training in both formal and informal aspects.

Furthermore, we must inculcate the work ethic, create work opportunities and respect labour in all its forms and, above all else, we must be a patriotic people once more. We must love our country, respect leadership and authority, obey our laws, protect our national assets and we must recognise and respect talent and, thus, reward success.

Each and every adult in this room has a role to play in this effort and I will start with the preachers. All of us here, either in our churches or in our mosques or other places of worship, would agree that the message from our pastors and imams is sounding singularly negative. I want to implore them to be more positive, for as we learn from the psychologists, we must be able to send a positive message instead of constant criticism for change to happen. That is the message they must convey, a message to change for the better so that they can give hope to all of us who cherish it.

Second, parents should be “**Role Models**” of their children, for when they fail, that creates a serious missing link for the child. Similarly, at school and at the work place, discipline must be seen to be enforced without which, those institutions become useless. It is very unfortunate and sad, yet very

true today, that parents encourage their children to go abroad not to study but to work slavishly to maintain those parents here at home. For that and that reason alone, most parents prefer their children to live a life of perpetual migrancy and slavish labour elsewhere than return home to rebuild our country, provide the seeds for future leadership and become role models.

My fellow countrymen and women, a great country is the product of a great people, with a rich culture and sound institutions - all expressed in a great collective goal. Where these are absent, no amount of economic resources, no amount of dexterity in economic management, no amount of political craftsmanship and statesmanship and certainly, no amount of foreign aid can make us a great people and a great nation.

I entreat each and every one of us, in our respective and collective capacities, to reflect on these issues and to make the desired changes now.

Your Excellency Mr Vice President, Distinguished Guests, Ladies and Gentlemen, once more, another year gone, I thank you most sincerely for honouring my invitation and I wish you all a very pleasant week-end.