



MINISTRY OF FINANCE AND ECONOMIC DEVELOPMENT

OPENING REMARKS BY THE MINISTER OF FINANCE AND ECONOMIC DEVELOPMENT,

MR. MOMODU L. KARGBO AT THE CONFERENCE ON *“FINANCIAL STABILITY IN SIERRA LEONE: THE ROAD MAP”* AT THE BANK OF SIERRA LEONE COMPLEX, KINGTOM, FREETOWN

DATE: MONDAY, 3RD JULY, 2017

Deputy Governor, Bank of Sierra Leone

IMF Resident Representative in Sierra Leone

Representative from the Central Bank of Nigeria

Representative from AFRITAC WEST 2

Representative from IMF Headquarters

The World Bank Country Manager

CEOs of Commercial Banks and other Financial Institutions

Distinguished guests

Ladies and Gentlemen

It is a great honour to be invited to deliver the opening remarks at this important Conference on Financial Stability in Sierra Leone. I wish to take this opportunity to express my appreciation to the Board and Management of the Bank of Sierra Leone for their initiative in promoting Financial Stability in Sierra Leone.

Without doubt, financial sector stability remains a fundamental and critical issue around the world. This is especially true after the global economic and financial crisis of 2008 and 2009. That crisis and the accompanying contraction in export demand eroded hard earned macroeconomic stability in most developing countries including Sierra Leone. The growth of our GDP slowed to 3.2 percent in 2009 from 5.4 percent in 2008. The exchange rate depreciated by 29 percent with heightened inflationary pressures. This shows that our economy is not insulated from global economic developments, favourable or adverse.

Financial crisis is contagious from both a global and domestic perspective. On the global front, a financial crisis can move across borders and can move across financial institutions that had not been part of the crisis itself.

Thankfully, our financial sector was not adversely affected by the crisis since it was not well integrated with the global financial system. However, with the increasing

number of foreign banks with regional and global relationships, the vulnerability of our financial system to external shocks can no longer be guaranteed. This calls for stringent enforcement of prudential regulations and robust banking supervision, both onsite and offsite, at the country level to minimize the vulnerability of the domestic financial system from externally induced financial crises.

Given the close link between the financial sector and the productive sectors of the economy at the country level, imbalances in the financial sector such as high non-performing loans can trigger a financial crisis in the domestic economy. It is high time therefore we in Sierra Leone devote our minds in promoting and ensuring financial stability to safeguard macroeconomic stability and protect savers and investors to ensure sustainable economic growth.

This responsibility lies not only with the Bank of Sierra Leone but also the commercial banks and other financial institutions as well as the borrowers of funds. Individuals, businesses and other corporate bodies who borrow funds from the commercial banks should inculcate the habit of paying back their debts, otherwise they will destabilize the entire financial system and jeopardize the economy as a whole. Commercial banks in turn should step up their credit risk assessment capabilities while the Bank of Sierra Leone should continue to perform its supervisory and regulatory role in accordance with internationally acceptable standards.

For its part, the Ministry of Finance and Economic Development as the lead in the management of overall economy, will continue to support the Bank of Sierra Leone in carrying out its statutory responsibility in promoting the stability of our financial system. I feel very assured that BSL's approach in establishing Memoranda of Understanding with key institutions will help in the sharing of information relevant for the protection of our financial system.. I look forward to working with the Bank of Sierra Leone on the enactment of relevant legislations geared towards the control of systemic risks to enhance our country's preparedness for any potential crisis in the financial sector.

Distinguished guests, as you are aware, our economy faced serious challenges during the past few years following the twin shocks of the Ebola epidemic and the collapse of iron ore prices. However, with the implementation of sound macroeconomic policies and a relatively stable financial sector, our economy is strongly recovering.

The economy proved resilient in overcoming these shocks by registering a positive growth of 6.1 percent in 2016 after contracting by 20.7 percent in 2015. Growth is projected to reach 6.8 percent in the medium term. The exchange rate of our Leone to the US dollar, which depreciated significantly during 2016 due to the reduction in export earnings, has been largely stable during the past six months. Consumer prices, though still relatively high have started to decline in April 2017 and are projected to continue the downward trend to the end of 2017 and return to single digit in 2018. You will agree with me that these are significant achievements during this short period of time.

I have great confidence in the Bank of Sierra Leone in steering our financial sector in the right direction. The Ministry of Finance and Economic Development and the Bank of Sierra Leone will continue to collaborate in the design and implementation of sound economic policies, including financial sector policies to sustain the resilience of the economy going forward.

Let me assure the Bank of Sierra Leone of my Ministry's full support and cooperation at all times.

I have been informed that a two-week course on Stress Testing will be held in Freetown to be facilitated by the IMF. I am confident that this training will capacitate our professional staff in assessing and monitoring the stability of our financial system.

I hope those of you taking part in the course will apply the concepts learnt to your work in your respective offices.

I wish you all the best and look forward to receiving a copy of the first Financial Stability Report for Sierra Leone

I would to thank all you for attending this very important conference and wish you fruitful discussions.

THANK YOU AND GOD BLESS