

BUDGET PROFILE



GOVERNMENT OF SIERRA LEONE

GOVERNMENT BUDGET

and

Statement of Economic and Financial Policies

For the Financial Year, 2011

Theme: *Scaling Up Infrastructure Investment to Support Higher Economic Growth and widen Opportunities for Job Creation and Income Generation*

DELIVERED BY

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in the Chamber of Parliament

TOWER HILL, FREETOWN

ON

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MR. SPEAKER, HONOURABLE MEMBERS

I. INTRODUCTION

Mr. Speaker, I rise to move that the Bill entitled “An Act to provide for the services for Sierra Leone for the Financial Year (FY) 2011” be read for the first time.

2. Mr. Speaker, Honourable Members, three years ago, we embarked on the journey to transform our country through our shared national development strategy – the AGENDA for CHANGE. Given huge challenges in every facet of our society, the Agenda for Change focused on four key strategic priorities. This strategy has since been acclaimed, endorsed and subjected to committed implementation, with strong support from our development partners as the single framework for providing assistance to our country. In this respect, it is pleasing that our development partners are progressively aligning their respective Country Assistance Strategies and financing modalities to facilitate uninterrupted implementation of the Agenda for Change. We are therefore challenged as a nation, to consolidate all our efforts to establish such defining partnerships to ensure visible achievements of the priorities articulated in the Agenda for Change.

3. Mr. Speaker, Honourable Members, on the 8th of October this year, in this noble House, our President, Dr. Ernest Bai Koroma, on the occasion of the State Opening of the Fourth Session of the Third Parliament of the Second Republic of Sierra Leone, laid emphasis on what he described as “the imperative for focused action, robust implementation and successful completion of the projects we have rolled out in every corner of Sierra Leone”. The emphasis made by His Excellency the President was generally reflected in the

design, policy framework and implementation modalities of the Government budget for 2011 and its medium term perspective. By doing so, we are keeping our promise to deliver on our shared commitment for achieving the principal objectives of growth, employment and prosperity. The overall performance and outlook I am reporting today shows the resilience and robustness of our economy, and a firm evidence that this Government's policy and priority interventions continue to be sound and have had a major impact on shaping Sierra Leone's political, social and economic future.

4. Mr. Speaker, Honourable Members, given the fragility of the global economic recovery and the need to improve the competitiveness of our economy to withstand future shocks, Government took bold and extra-ordinary measures during the year to ensure strong and durable exit from the economic crisis. The measures included extra-budgetary expenditures to provide the necessary fiscal stimulus to the economy. These resources were used to execute essential road and energy projects for which external financing was either not available or was substantially delayed, including financing for completion of the Lumley-Tokeh road project. We have also utilised domestic resources to complete a number of other stalled capital projects, including the rehabilitation of Njala University and the Makeni Government hospital, National Commission for Social Action (NaCSA) projects, the construction of the Bonthe Jetty, the purchase of ambulances and medical equipment as well as the completion of the construction of medical stores country-wide.

5. Stimulus funds were also provided to rehabilitate between 5 to 10 kilometres of streets in every district headquarter town, the widening of Wilkinson and Spur Roads in Freetown, the construction of a Solar Technicians Training Centre at Konta Line in the Port Loko district, and the procurement of 1,500 solar home systems to electrify some of the remote villages in the country. Above all, Government also provided funds for the improvement of water supply in Freetown and its environs, including the installation of over 200 water stand pipes in Freetown.

6. Mr. Speaker, substantial resources were also expended to cushion the impact of higher international oil prices on the poor. As at end October, total subsidies paid to oil marketers amounted to Le 68 billion – or the equivalent of 17 Megawatts of thermal plants or the funds required for the completion of the Lumley – Tokeh Road.

7. In recognition of these efforts to improve the welfare of our people, the latest United Nations Development Programme (UNDP) Human Development Index, reveals a rapid improvement in the quality of life for all in the country, with Sierra Leone leaping up 8 places in the international standings. Despite this, the achievement of the Millennium Development Goals (MDGs) by 2015 still remains a daunting challenge. The major constraints include inadequate infrastructure, especially roads, electricity and water as well as a low level of basic social services. These are areas receiving the attention of Government and into which we will continue to invest huge resources now and in the future.

8. Mr. Speaker, Honourable Members, the theme for this budget is **“Scaling up infrastructure investment to support higher economic growth and widen opportunities for job creation and income generation”**. I have chosen this theme because in every country that has developed and significantly improved the lives of its people, a robust programme of infrastructure investment is key. This is true for Sierra Leone, especially as we strive to achieve both high sustainable economic growth and the MDGs. Hence, this budget will continue to refocus public expenditure toward projects with potential tangible benefits to our people, including in trunk and feeder roads; in electricity and clean water; in agriculture and food security; and in quality healthcare and educational services. Indeed, we also need to address the lack of skills in the public service, which is at the centre of all facets of government activity.

9. Mr. Speaker, Honourable Members, the rest of the budget statement is therefore structured as follows:

- * First, I will briefly outline recent developments and outlook in the global economy for 2010 and 2011 including the likely impact on the domestic economy;
- * Second, I will briefly provide a summary of the key achievements and remaining challenges in implementing the Agenda for Change;
- * Third, I will present the Government’s medium term macroeconomic framework, setting out briefly, the objectives and policies for the next three years; and
- * Fourth, I will focus on the budget and underlying economic, monetary and fiscal policies and structural reform agenda for the financial year 2011.

II. WORLD ECONOMIC PERFORMANCE AND OUTLOOK

10. Mr. Speaker, as we implement our Agenda for Change, we are faced with tremendous challenges along the way, some of which are driven by developments in the global economy. The recent global financial and economic crisis is widely accepted as the worst since the Great Depression of the 1930s and has gone way beyond the financial sector and adversely affected the real economy. Despite concerted and coordinated efforts at the international, regional and national levels, global economic recovery remains uneven and fragile. Notably, the fiscal stimulus provided temporary relief but systemic risks are still very high. The outlook is therefore still uncertain. The crisis has interrupted progress towards the MDGs, in particular, the goal of halving hunger and extreme poverty by 2015. Recent estimates show that by the end of this year, an additional 64 million people will have joined the ranks of the poor.

11. Mr. Speaker, the challenges are particularly daunting for Sub-Saharan Africa, home of the majority of the world's poorest countries, and what must be the focus of international assistance. Many of these countries, through no fault of their own, have seriously slipped in their efforts to achieve the MDGs. A major downside risk to the global recovery, which may have severe consequences on African economies, is the escalation of financial stress and contagion, prompted by the rising concern over sovereign risk in European countries. This could lead to weaker bank balance sheets, tighter lending conditions and declining business and consumer confidence. Given trade and financial linkages between and across countries, these developments could lead to lower global growth, and this in turn will reduce the demand for exports from Sub-Saharan Africa, and hence, undermine economic growth in the region.

12. Several countries, including Sierra Leone, are still recovering from the sharp decline in remittances and mineral exports. The fiscal consolidation in advanced countries, including measures to reduce public expenditures and budget deficits, has the risk of undermining both the scaling-up being advocated in official development assistance, and private capital flows to poor countries. In the case of Sierra Leone, we have had to rely on additional support from many of our multilateral and bilateral development partners to shore up the adverse impact of the global crisis, and we are very grateful for such a kind gesture.

III. IMPLEMENTATION OF THE AGENDA FOR CHANGE – OUR SCORECARD IN 2010

13. Mr. Speaker, Honourable Members, having reviewed recent developments in the international economy, please permit me to now provide an overview of our progress in the implementation of the Agenda for Change. Again, as you would recall, His Excellency the President furnished the House with a detailed report on progress at a sectoral level. Furthermore, capital spending under the fiscal stimulus as described above was also consistent with achieving priority activities under the Agenda for Change. Thus, my review will be limited to our macroeconomic performance and public financial management in 2010. Let me however, inform this House that a fuller version of the progress report is now available and is being distributed nation-wide.

Performance under the IMF Programme

14. Mr. Speaker, I am pleased to announce that following the successful implementation of the previous economic reform programme, the Executive Board of the International Monetary Fund (IMF) in June this year approved a new three-year Programme for Sierra Leone, supported under the Extended Credit Facility (ECF) arrangement, amounting to US\$ 45.4 million. This new programme has been designed to support the Government in enhancing economic growth by increasing investment in infrastructure and developing an accessible financial sector. The programme will help create fiscal space for accelerated capital and social spending by broadening the tax base, containing non-priority spending, and raising public sector efficiency, especially in project selection and implementation.

15. The first review of our performance under the programme during September 2010 by the IMF and Government is rated as satisfactory. All quantitative performance criteria for end June 2010 were met. This good performance and other sound policy measures resulted in Sierra Leone being ranked as one of the top performers in macroeconomic management among low income countries in the World Bank's Country Policy and Institutional Assessment (CPIA).

Macroeconomic Performance in 2010

16. Mr. Speaker, Honourable Members, despite the lingering impact of the global financial and economic crisis, we were able to sustain a stable macroeconomic environment with robust economic growth.

17. We are experiencing strong growth in the agriculture, mining and services sectors, as well as a rebound in domestic manufacturing as a result of increased private investments into these sectors. These developments, combined with Government investments in agriculture, energy and roads, boosted the growth prospects of the economy. In 2010, economic growth is estimated to accelerate to 4.5 percent from 3.2 percent in 2009.

18. Inflation rose sharply in the first half of the year following the introduction of the Goods and Services Tax (GST) in January. However, a proactive monetary stance and relative stability of the exchange rate is easing inflationary pressures in the second half of the year. National Inflation declined to 16.8 percent in September from a high of 17.8 percent in April.

19. Mr. Speaker, our exports recovered strongly, growing by over 50 percent to US\$ 163 million in the first half of 2010, compared to US\$ 108 million for the same period in 2009. This performance was largely due to the recovery of mineral exports, which grew by 36 percent to US\$ 90 million in the first half of 2010. Agricultural exports amounted to US\$ 28 million during the first half of the year.

20. Imports of merchandise goods also increased by around 18 percent to US\$ 314 million in the first half of the year compared to the same period in 2009. The increase in imports is largely due to higher importation of machinery, transport equipment and petroleum products, reflecting increased investment in construction and agricultural activities. Food imports dropped during the period to US\$ 15 million from US\$ 32 million for the first half of 2009, driven largely by a substantial decrease in rice imports due to higher domestic rice production.

21. Mr. Speaker, due to the expansion in exports, the trade deficit narrowed to US\$ 151 million for the first half of 2010, from US\$ 159 million for the same period in 2009. Gross foreign reserves amounted to US\$ 324.4 million, equivalent to 5.4 months of imports as at end August 2010. Gross reserves are programmed to remain at a comfortable level of not less than 5 months of imports by end December 2010.

22. Mr. Speaker, the debt sustainability exercise recently conducted by the Ministry of Finance and Economic Development and the Bretton Woods institutions ranked Sierra Leone as a country with a moderate risk of debt distress. The delivery of the Highly Indebted Poor Country and Multi-lateral Debt Relief initiatives by the international community contributed to the significant reduction in our debt overhang. The implementation of these initiatives has also freed resources to implement critical programmes in support of growth and poverty reduction. The total stock of external debt stood at US\$ 722 million as at end June 2010 relative to US\$ 692 million at end December 2009. This increase was on account of increased disbursements from multilateral creditors, including the IMF.

Budget Performance in 2010

23. Mr. Speaker, I will now move on to review our budget performance for 2010.

Revenue

24. Mr. Speaker, domestic revenue collection is projected at Le 987.8 billion or 13.0 percent of GDP in 2010, compared to 11.6 percent in 2009. Preliminary data for the first three quarters of the year indicate that actual domestic revenue collected amounted to Le 703.4 billion compared to Le 551.2 billion collected in the same period of 2009. Healthy performance in income taxes and Goods and Services Tax contributed to higher revenue collections.

25. Total grants are estimated at Le 517.1 billion or 6.8 percent of GDP in 2010, of which programme grants are estimated at Le 284.7 billion. External budgetary support is estimated at Le 223.9 billion; Japanese Food and Oil Aid, Le 40.3 billion; and HIPC debt relief, Le 19.1 billion. Total project grants are estimated at Le 232.4 billion.

Expenditure

26. Mr. Speaker, total expenditure and net lending amounted to Le 1.41 trillion as at end September 2010. Recurrent expenditures for the period amounted to Le 909.0 billion. Of this, wages and salaries amounted to Le 382.7 billion, which was Le 45.9 billion above the original budget for personnel emoluments, due to the hiring of over 1000 technical health workers, reinstatement of 2000 health workers and the significant increase in the health sector personnel wages. Total interest payments on the stock of our public debt amounted to Le 93.6 billion, slightly lower than what was budgeted.

27. Non-interest, non salary recurrent expenditure amounted to Le 432.6 billion compared to the budgeted amount of Le 370.2 billion. The overrun in this category of expenditure is accounted for largely by the extension of the emergency power programme to ensure uninterrupted power supply in Freetown. Defence spending was also above budget by Le 4.4 billion, driven largely by the cost of providing rice to the armed forces. Domestic development expenditure as at end September 2010 is estimated at Le 208.6 billion, about Le 61 billion higher, compared to the original budget.

28. Mr. Speaker, total expenditure and net lending is projected at Le 1.9 trillion, with wages and salaries estimated at Le 515.0 billion; non-salary, non interest expenditure, Le 552.7 billion; and domestic capital expenditure estimated at Le 224.2 billion for the year.

Budget Deficit and Financing

29. Mr. Speaker, the overall budget deficit, on commitment basis and including grants, is estimated at Le 334.5 billion compared to the programme ceiling of Le 346.8 billion as at end September 2010.

30. Foreign financing of the deficit amounted to Le 105.3 billion as at end September 2010. Domestic financing of the budget deficit as at end September 2010 amounted to Le 266.7 billion. Of this, bank financing, including draw-down on Multi-lateral Debt Relief Initiative (MDRI) resources from the central bank, amounted to Le 231.8 billion. Non-bank financing of the budget deficit amounted to Le 34.9 billion.

Monetary and Financial Sector Developments in 2010

31. Mr. Speaker, Honourable Members, monetary policy remains proactive during the year, aimed at maintaining price stability. To this end, the Bank of Sierra Leone utilized Le 74.7 billion of the approved Government securities to mop up excess liquidity through open market operations. Sales of foreign exchange through public auctions also complemented monetary policy during the period. Consequently, money supply growth slowed during the first half of the year.

32. However, the unanticipated delays in the disbursement of budget support resulted in an increase in bank financing through a draw-down of MDRI deposits at the Bank of Sierra Leone to accommodate the higher spending on infrastructure. As a result, money supply grew by 15.7 percent in the third quarter of the year.

33. Mr. Speaker, credit to the private sector from commercial banks increased by 19.4 percent over the same period. The interest rate on the 91 day Treasury Bills increased from 14.0 per cent in December 2009 to 18.1 percent in August 2010. The commercial bank lending (overdraft) rate declined slightly to a maximum of 28 percent compared to 29 percent in 2009.

34. The Bank of Sierra Leone continues to promote rural financial intermediation. Five Credit-only Micro Finance Institutions (MFIs) were registered and one deposit-taking MFI licensed. The Bank has also approved more deposit-taking MFIs to be licensed during the year 2010. Rural financial intermediation is being improved through the establishment of community banks and Financial Services Associations under the Rural Finance and Community Improvement Programme supported by the International Fund for Agricultural Development (IFAD). The commercial banking sub-sector has also introduced a number of new financial instruments including in the area of money transfer to further deepen financial intermediation. The introduction of financial products such as ZAP and SPLASH, operated respectively by Zain and Comium mobile communication companies in collaboration with commercial banks, will increase the number of people in rural areas with access to financial services.

35. On capital market developments, the Bank of Sierra Leone has finalised the Securities Bill and the Collective Investment Schemes Bill, which will be submitted to this Honourable House for enactment soon. In the meantime, the Bank will continue to act as regulator and supervisor of the capital market until the Securities and Exchange Commission is established following the enactment of the Securities Bill.

36. Mr. Speaker, in a bid to address several instances of counterfeit attacks on various denominations of banknotes, with hazardous implications for the integrity of the entire currency system, the Bank of Sierra Leone introduced a family of resized banknotes, which was officially launched by His Excellency the President in May 2010. The transition process of issuing the new resized notes and withdrawing the old banknotes was seamless and successfully implemented with the full cooperation of all stakeholders including the commercial banks.

Public Financial Management Reforms in 2010

37. Mr. Speaker, Honourable Members, as part of measures to improve public financial management, Government launched the Integrated Public Financial Management Reform Project (IPFMRP) in February this year with support from our development partners. This programme addresses the previously fragmented and uncoordinated approach to public financial management. Thus, mechanisms are continuously being instituted to ensure transparency, accountability and probity in the use of public funds.

38. Under the Integrated Financial Management Information System (IFMIS), we have also rolled out the Expenditure and Purchasing Modules to other MDAs, including the Office of the President and the Ministry of Foreign Affairs and International Cooperation. The launch of the Non State Actors (NSAs) component of the IPFMRP will assist in the development of the analytic and dissemination capacity of NSAs in exercising scrutiny over the use of public resources.

IV. PERFORMANCE OF PUBLIC ENTERPRISES IN 2010

39. Mr. Speaker, I will now report briefly on the financial performance of our public enterprises in 2009 and the first half of 2010 based on the analyses submitted by the National Commission for Privatization (NCP). In general, while many of the enterprises are no longer a drain on the Government budget, it is disheartening that some of the key ones still face fundamental corporate governance and financial management challenges that prevent them from being commercially viable.

40. The **Rokel Commercial Bank** reported profits of Le 13.7 billion during 2009 and an operating profit of Le 14.4 billion for the first half of 2010. The **Guma Valley Water Company** returned to a pre-tax profit position of Le 621 million in 2009 from large losses in 2008. Profits are projected to be higher in 2010. Other parastatals that reported pre-tax profit are: the **Sierra Leone Ports Authority** (Le 6.1 billion); the **Sierra Leone Road Transport Corporation** (Le 3.3 billion); and the **National Insurance Company Limited**, (Le 457 million) in 2009. The **National Power Authority** (NPA) reported increased revenue collections, amounting to Le 91 billion in 2009 and Le 51 billion in the first half of 2010.

41. However, the **Sierra Leone Commercial Bank** recorded a loss of Le 1.8 billion in 2009. Other public enterprises that recorded losses over the year were the **Sierra Leone State Lottery Company**, **Sierra Leone Postal Services Company** (SALPOST), **Sierra Leone Airports Authority** and the **Sierra Leone National Shipping Company**.

42. Mr. Speaker, the **Sierra National Airlines** (SNA) is in liquidation. The High Court has appointed a provisional liquidator to handle the process. To alleviate the hardship on SNA staff and their families, Government paid their backlog of salaries. All institutions owed by SNA are encouraged to apply to the Liquidator to discharge these obligations.

V. MEDIUM TERM MACROECONOMIC FRAMEWORK

43. Mr. Speaker, Honourable Members, after discussing recent economic and financial performance under the Agenda for Change, I now turn my attention to the Government's medium term macroeconomic framework, which was recently agreed with the IMF in the context of our new Extended Credit Facility (ECF) arrangement. I must, at the outset, state that the medium term outlook for our economy is favourable. In line with our Agenda for Change, the overriding economic objective in the medium term is to sustain a high positive GDP growth. During this period, Government will aim at consolidating our socio-economic stability by:

- (i) continuing to scale up investment in infrastructure to promote sustained economic growth and job creation;
- (ii) establishing a sustainable fiscal position, with ambitious revenue efforts necessary for expanding public spending on priority needs;
- (iii) strengthening monetary and exchange rate policies to ensure low and stable inflation;
- (iv) improving the delivery of basic social services in order to accelerate progress towards achieving the Millennium Development Goals (MDGs);
- (v) pursuing governance and other structural reforms to deepen the financial sector, diversify the export base, improve the business climate and build public service capacity in all Ministries, Departments and Agencies as pre-conditions for achieving our strategic priorities.

44. Mr. Speaker, Honourable Members, achieving our growth objectives certainly requires strong sustained commitment to remove structural constraints such as lack of infrastructure, low agriculture productivity and value addition, and low levels of skills. Addressing these bottlenecks will play a central role in promoting a strong growth of exports of goods and services as well as improve our country's competitiveness.

45. Mr. Speaker, according to our medium term projections, real GDP growth is expected to recover to 4.5 percent in 2010 and increase to 6 percent by 2012, benefiting from the above actions including increased absorption of Bumbuna and other energy supplies. The global economic recovery will increase export demand for minerals and cash crops, which should contribute to exchange rate stability. Combined with expanding domestic food production, this should ease inflationary pressures. Monetary and exchange rate policies will also aim at returning to single-digit inflation, with inflation projected to decline from 16 percent in 2010 to 8 percent in 2012. However, import coverage of gross foreign exchange reserves is expected to average around 5 months in 2012, as imports recover with economic recovery and expansion in investment.

46. Mr. Speaker, the economic impact of both the newly signed mining lease agreements for iron ore and renegotiated other mining lease agreements could be significant. Assuming full implementation of the planned investments and agreed fiscal regimes, exports and tax revenue would increase substantially in the medium- and long-term. However, since the iron ore projects are still in their infancy while the mining companies under review may require time to firm up new business plans and financing modalities, it is prudent to exercise caution about the timing, production volumes and revenue in flows into our budget. Accordingly, these potential inflows have not been fully incorporated in the medium-term macroeconomic projections. Moving forward, however, the Government will endeavour to apply the fiscal regime defined in the Mines and Minerals Act (MMA) 2009 and the existing income tax and customs Acts to future mining lease agreements. Also, Government will consider, as stipulated in the MMA, demanding an equity stake in future large mining projects to participate in windfalls and to gain insight into their mining and business operations.

47. Mr. Speaker, since grants and concessional budget financing from donors are likely to decline to pre-crisis levels in the next few years, Government recognizes the urgent need to increase domestic revenue and strengthen the efficiency of public spending. Reflecting efficiency gains from the introduction of GST and improvement in tax administration, the aim is to raise domestic revenue above 13.5 percent of GDP by 2012. To achieve this target, Government will fully apply the fiscal regime stipulated in existing tax and customs legislations and significantly minimize issuance of discretionary tax exemptions. Fiscal space will further be created by containing non-priority spending, encouraging social corporate responsibility projects, and raising public sector efficiency, especially on project selection and implementation. Government is committed to keeping domestic financing below 2.0 percent of GDP to maintain debt sustainability and prevent crowding out of the private sector.

48. Mr. Speaker, debt sustainability will remain another medium term priority. The Government continues to be committed to external borrowing on concessional terms. A comprehensive National Debt Law and procedures manual will soon be laid before this noble House. This Law will ensure that public debt management is brought in line with best practice. The Law will also provide the impetus for a proactive sovereign debt approach to monitor fiscal risks.

49. In collaboration with the Public Debt Unit of Ministry of Finance and Economic Development (MOFED), government agencies are working on improving the quality of debt data and reporting, in order to better monitor commitments, disbursements, and debt service obligations. The Commonwealth Secretariat Debt Recording and Management System (CS-DRMS) will be electronically linked with IFMIS. In order to further improve on debt management, the Government is requesting assistance from the World Bank and the IMF with respect to developing a comprehensive Medium-Term Debt Management Strategy (MTDS).

VI. MACROECONOMIC POLICIES AND OBJECTIVES FOR FINANCIAL YEAR 2011

50. Mr. Speaker, Honourable Members, the strategic objective of the Financial Year 2011 is enhancing economic growth, development and social transformation, while maintaining macroeconomic stability. Government also

views the global economic and financial challenges as an opportunity to search for and adopt innovative and bold interventions to accelerate our exit from acute poverty. Government will thus increase investment in infrastructure, scale up interventions in modernising agriculture, and ensure enhanced access to quality health and education. These interventions will help to: a) Maximise output and employment growth; b) reduce inflation to single digits; and c) accumulate foreign reserves to comfortable levels of at least 5 months of import cover.

51. Mr. Speaker, in pursuit of our objective to encourage private businesses to grow and increase employment opportunities, our macroeconomic stance will ensure a conducive environment to foster private investment activities. The aim is to complement the Government's development agenda in promoting rapid economic growth and employment creation.

52. Monetary policy in 2011 will aim at maintaining price stability that is consistent with high and sustainable economic growth. The Bank of Sierra Leone will continue to use open market operations to contain the growth of money supply to mitigate inflationary pressures. To strengthen monetary policy operations, the Bank will review its monetary policy framework with a view to introducing a benchmark rate which will be used to signal the stance of monetary policy to the market. On the basis of these strategies, inflation is forecast to return to single digits of 9.5 percent in 2011.

53. Mr. Speaker, the Bank of Sierra Leone will continue to maintain a flexible exchange rate to facilitate adjustments to shocks. It will also use foreign currency sales to absorb excess liquidity generated by foreign-financed budget spending and smooth out wide fluctuations in exchange rates. Going forward, the Bank will seek to enhance its foreign exchange management strategy by promoting inter-bank foreign exchange market transactions and move to a wholesale foreign exchange auction system.

54. Fiscal policy in 2011 will complement monetary policy in ensuring stable consumer prices and low domestic interest rates to encourage investment activities. Nonetheless, fiscal policy will also seek to create the fiscal space to boost infrastructure investment in support of higher economic growth. On this basis, the economy is projected to grow by 5.2 percent in 2011 from 4.5 percent in 2010.

55. Mr. Speaker, let me reiterate that Government will continue to be prudent in its external borrowing strategy. I am pleased to report that, with the support from the World Bank, Government has made substantial progress in finalising arrangements for the implementation of the commercial debt buy-back operation during 2011. The process will be underpinned by the principle of comparable treatment to all commercial creditors, consistent with the HIPC initiative. On completion, this will reduce our outstanding external debt stock by a third.

56. Mr. Speaker, as a new initiative, Government also aims to lengthen the tenure of Government debt instruments beyond the traditional maturity profile of less than one year to between two to five, or more years in line with Government's requirements for medium to long term domestic financing to fund infrastructure development. To this end, the Ministry of Finance and Economic Development will collaborate with the Bank of Sierra Leone to engage market participants, including commercial banks, and other non-bank financial institutions, to develop a long-term bond market. This, together with additional revenues from our extractive minerals and hydrocarbons, will target expenditures in infrastructure, the free maternal child health programme, and post primary education, youths and sports.

Structural Reforms

57. Mr. Speaker, Honourable Members, structural policies will focus on developing the financial sector, strengthening economic governance, including public financial management, enhancing the efficiency of the public sector, and improving the business environment while strengthening tax administration.

The Financial Sector

58. Mr. Speaker, a key constraint to economic growth and job creation is the limited access to finance by businesses, especially small and medium scale enterprises. To enhance the flow of bank credit to the private sector, the Bank of Sierra Leone will make a Credit Reference Bureau fully operational in 2011 to address the problem of information asymmetry in the banking sector. In this regard, a Credit Reference Bill has been prepared and is to be laid before this House for your kind consideration. The Credit Reference Bureau will enable the banks to identify their customers for tracking and easy credit rating thereby addressing some of the risks which contribute to the high cost of borrowing.

59. Mr. Speaker, an important objective of our financial sector reforms is to bolster the stability and soundness of the financial sector through strengthened and effective supervision. To this end, the Bank of Sierra Leone is poised to move towards risk-based supervision, including consolidated supervision of the banks and other financial institutions. The Banking Act 2000 and the Other Financial Services Act 2001 will also be amended to ensure compliance with international regulatory standards.

60. Mr. Speaker, the Bank of Sierra Leone will collaborate and support the commercial banks' efforts to implement a National Switch as part of the deepening of the financial sector to minimize the use of cash. The Switch will provide a common platform, through which all banks will interconnect their Automated Teller Machines (ATMs), Points of Sale (POS) and other products. This will enhance the speed, efficiency and security of financial transactions, including payment of utility bills and revenue collection all over the country.

The Business Environment

61. Mr. Speaker, over the past few years, there have been a number of policy-oriented Government initiatives to improve the business regulatory environment and address administrative barriers to investment, aimed at improving the business climate and stimulating new investments in Sierra Leone. In 2009, Government launched the Private Sector Development Strategy; a vision and a promise to unleash the potential of indigenous business enterprises to take advantage of opportunities that will enable them to participate in and benefit from Sierra Leone's economic growth.

62. In recognition of our efforts in this direction, Sierra Leone has continued to move up the rankings in the influential World Bank "Ease of Doing Business" Index. Indeed, Sierra Leone is now ranked as one of the top four countries for ease of doing business in the Economic Community of West African States (ECOWAS) and among the top thirty countries in the World for investor protection. To complement these efforts, the Sierra Leone Investment and Export Promotion Agency (SLIEPA) is spearheading a new drive to boost investment and exports in the country. In this regard, SLIEPA has, with support from the Commonwealth Secretariat, prepared a National Export Strategy, which was launched by His Excellency the President in June 2010. The National Export Strategy is a focused drive to pursue strategic interventions in order to exploit our export potential over the period 2011-2015. Interventions

in the four priority sectors of Agriculture, Fisheries, Mining, and Tourism will increase the value of agricultural, fish and mining exports, diversify the export base and boost employment.

63. This Honourable House also recently passed the Public-Private Partnership (PPP) law, which will encourage private sector participation in the delivery of public services, including in undertaking self-financing and sustaining mega-projects in infrastructure such as the anticipated construction of the Lungi-Freetown bridge, a new international airport and an expansion of our natural harbour, making Sierra Leone an international hub.

64. Mr. Speaker, Government will also allocate resources to make the process of settling commercial disputes through the courts quicker and easier. The budget will finance the commencement of fast-track commercial courts, provincial magistrate courts and a judicial training centre in 2011. In addition, Government will also finance the development and implementation of a comprehensive National Land Policy to reform the regulations and administrative systems surrounding land tenure, ownership and sale.

65. Mr. Speaker, Government would move beyond policies and strategies, to make tangible contributions in stimulating domestic enterprise development. In this regard, in 2011, Government will invest in a domestic private sector-driven Venture Capital Fund that will be established to provide venture finance to small and medium scale enterprises (SMEs) in Sierra Leone. The objectives of this Fund are: (i) To achieve business and financial growth of domestic SMEs to levels which will enable them to compete internationally; and (ii) to generate return on investments for investors in the Fund. The rationale for Government's investment in this Fund is further strengthened by the need to lift Sierra Leonean businesses out of the small scale business activities to large ventures that can compete, and in the process, create wealth for Sierra Leonean entrepreneurs and the general investing public.

Governance

66. Mr. Speaker, Honourable Members, good governance is critical for investor confidence, which is a prerequisite for attracting the much needed private capital flows and official development assistance. In consultation with our development partners, Government has defined a set of key governance priority areas and will implement measures to improve our international standing on governance. I am pleased to announce that Transparency International recently ranked Sierra Leone 134th globally in its Corruption

Perceptions Survey, an improvement of 12 places on the previous year, and 24 places on two years previously. This is firm evidence that our zero tolerance approach to corruption is paying dividends. In this regard, Government will continue to support the activities of the Anti-Corruption Commission, including asset-tracking and recovery within and outside Sierra Leone for assets deemed to be from proceeds of crime and public financial misappropriation.

67. Mr. Speaker, Government has committed to the principles of the Extractive Industries Transparency Initiative (EITI). We will ensure full adherence to those principles in order to encourage private investment in the mining and oil sectors. The first EITI report was published in March and the final validation report which was submitted in August recommends a number of improvements to the governance and management of the process which will be implemented. We will commit sufficient budget resources towards this end.

68. Mr. Speaker, to step up efforts to reduce money laundering activity, an Anti-Money Laundering and Combating the Financing of Terrorism Bill has been prepared and will be presented to Parliament soon. On enactment, Government will implement the provisions in this Bill, and crack down on the financing of all terrorist and organised criminal activities. The Ministry of Finance and Economic Development, the Bank of Sierra Leone and other institutional stakeholders will collaborate to make the Financial Intelligence Unit (FIU), presently housed by the Bank of Sierra Leone, relatively autonomous and fully operational.

Public Financial Management

69. Mr. Speaker, Honourable Members, Government will intensify and broaden the implementation of public financial management reforms to improve budget planning and the efficiency of public spending. In particular, Government will further strengthen the Medium-Term Expenditure Framework (MTEF) by enhancing planning, monitoring and the evaluation process for capital projects. From 2012, Government will fully integrate a three-year public investment plan into the budget process. Furthermore, the roll out of IFMIS to other Ministries, Departments and Agencies will continue while appropriate training and support will also be provided to users of IFMIS to ensure that public financial transactions are fully captured in the system.

70. For Local Councils, Government will implement a financial management information system to promote transparency and accountability in the use of resources generated by them. The rollout process, which is now underway, will

be completed over the next two years. A review of the Local Government Act is envisaged to address the legal impediments to own-revenue mobilisation by local councils.

Pay Reform and Rebuilding the Capacity of the Public Service

71. Mr. Speaker, Government recognizes the urgent need to address the challenges facing the public sector in the effective delivery of public services. In this context, Government approved a comprehensive public sector reform programme in 2009 to chart the way for improving the capacity and professionalism of the public service.

72. A key component of the reform programme is the review of the pay structure for public servants, including teachers and security officers, with the aim of attracting and retaining highly skilled and competent staff in the public service. In pursuance of this objective, and in consultation and collaboration with the Ministry of Employment, Labour and Social Security, the Chief of Staff in the Office of the President, the Secretary to Cabinet, the Public Sector Reform Unit and the Human Resources Management Office, the Ministry of Finance and Economic Development will develop and recommend to Government a comprehensive multi-year pay reform programme to facilitate an affordable, sustainable and structured salary adjustment process starting in 2011. The reform measures, which we hope will also be supported by our development partners, will include: (i) Realignment of current discrepancies in qualifications and grade placements; (ii) decompression of the wage structure; (iii) rationalisation of staff numbers and removal of dysfunctional positions and redundant staff from the Government payroll; (iv) rationalisation of donor-supported wages within the national pay structure; and (v) gradually raising pay to competitive levels to be financed partly by the efficiency savings accruing from the restructuring exercise.

73. Mr. Speaker, Honourable Members, it is important to emphasise that for pay reforms to be successful, action should not be limited to pay increases only, but should also be underpinned by measures to improve the integrity of the payroll through credible systems and controls to minimise potential abuse. The entire exercise will enable Government to award structured enhanced remuneration that focuses on the critical skills requirements of the public service. The pay reform will also aim at pay benchmarking and, in this regard, I will lay before this House a legislation covering certain offices specified in

the 1991 Constitution of Sierra Leone and whose emoluments constitute charges on the Consolidated Revenue Fund. Similarly, in view of the increases in the cost of living in our country since the last national minimum wage was set at Le21,000 in 1997, I will also recommend to Government and lay before this noble House a new National Minimum Wage Bill for enactment into law. The recommended minimum wage will aim to reflect the national and international absolute poverty levels and will be implemented within the multi-year framework.

VII. BUDGET PROFILE FOR THE FINANCIAL YEAR 2011

74. Mr. Speaker, Honourable Members, I will now turn to Estimates of Revenues and Expenditures for the Financial Year 2011.

Revenue Estimates

75. Mr. Speaker, Honourable Members, on the basis of the growth prospects of the economy, combined with our continued efforts to improve tax compliance and broaden the tax base, domestic revenues are projected at Le 1.16 trillion or 13.3 percent of GDP – the highest in a single year since the establishment of the NRA. Total external grants will amount to Le 591 billion. Hence, total revenue is projected at Le 1.75 trillion or 20.1 percent of GDP.

76. Since its introduction, the Goods and Services Tax (GST) has been a resounding success and has shored up domestic revenues. For 2011, GST revenues are projected to increase to Le 299.0 billion or 3.4 percent of GDP.

77. Customs and excise duties are projected at Le 387.3 billion or 4.5 percent of GDP. Income taxes are estimated at Le 269.6 billion or 3.1 percent of GDP.

78. Non-tax revenues, excluding road user charges, are projected at Le 135.8 billion, including Le 64.7 billion from mining licenses and royalties. Road user charges are projected at Le 64.8 billion.

79. External programme grants are estimated at Le 198.9 billion, or 2.3 percent of GDP. Budget support is estimated at Le 178.9 billion. Foreign support for Elections and debt relief are estimated at Le 44.4 billion and Le 20.0 billion, respectively.

(a) Revenue and Tax Policies

80. Mr. Speaker, Honourable Members, I will now outline the key policy measures for achieving the revenue targets indicated above.

81. Mr. Speaker, the recent discovery of hydrocarbons off the coast of Sierra Leone raises the prospects of commercial oil drilling. In this regard, actions are underway to reform the regulatory and institutional arrangements for the upstream petroleum sector in the country. Thus, Government has formulated a new petroleum sector policy that sets out the fiscal principles for a modern petroleum fiscal regime. In line with this policy, an amendment to the Income Tax Act, 2000 to insert a new schedule relating to the Upstream Petroleum Fiscal Regime, is proposed.

Improving Tax Collection and Tax Compliance

82. Mr. Speaker, Honourable Members, a Revenue Management Bill will soon be laid before this noble House for enactment. The objective of this bill is to regulate the management of revenues with particular reference to the granting of tax incentives and discretionary duty waivers. Consistent with its provision, Government will publish a statement of Tax Expenditure detailing tax exemptions, including the amount of revenue forgone, the beneficiaries and the specific tax provisions relating to these exemptions. This statement will be submitted to Parliament by the Ministry of Finance and Economic Development on an annual basis, with effect from 2011.

83. Mr. Speaker, to improve tax compliance in accordance with the relevant provisions in the Income Tax Act 2000 as amended in the Finance Bill 2011, Government will strictly enforce the penalties for tax evasion, delays and failures to file tax returns, falsified quarterly tax payments and poor book-keeping. In addition, the National Revenue Authority will levy and collect interest on the late payment of tax. In the same vein, Government will apply penalties for: i) Importation of right hand vehicles; ii) the non-submission of electronic manifests by shipping agencies to the Customs and Excise Department of the NRA within twenty-four hours of the arrival of shipping vessels; iii) the failure to complete customs declarations using the ASYCUDA ++ within the stipulated deadline of seven days; iv) the failure to withhold tax; and (v) making late payment of withholding tax of 10.0 percent on winnings from betting games and lottery to the Commissioner of Income Tax within 15 days after the end of every month.

84. Also, a mandatory bond guarantee will be demanded from all oil marketing companies to ensure the timely payment of excise duties. The full details of the related penalties and the Bond are contained in the Finance Bill 2011.

Non- Tax Revenue Measures

85. As part of our revenue mobilization drive, I am proposing an upward revision of license fees paid by auctioneers and the schedule of fees that relate to the Courts and the Office of the Administrator and Registrar-General to reflect current realities. The revised fees are included in the Statutory Instrument 2011.

Tax Incentives

86. Mr. Speaker, Honourable Members, as part of the overall strategy to encourage domestic as well as foreign investments, a comprehensive package of investment incentives focusing on agriculture, mining, manufacturing, tourism, and infrastructure investments approved by Cabinet has now been fully incorporated into the Finance Bill 2011. These include a reduction in the corporate tax rate for mining companies from 37.5 percent to 30.0 percent and a reduction in import duty for raw materials from 5.0 percent to 3.0 percent.

87. Furthermore, all agricultural inputs will also benefit from zero import duty. To encourage the participation of the private sector in large public projects, income derived from Public-Private Partnership infrastructure projects investing at least US \$20 million will enjoy a Tax Holiday of fifteen years. Above all, companies manufacturing drugs, medical devices and other health related items according to the guidelines of the World Health Organisation (WHO) will be eligible for a tax holiday for the next ten years. Raw materials for the manufacture of drugs will also be granted duty free privileges for the same period.

88. For the Tourism Sector, income derived from tourist activities will have a tax relief for a period not exceeding five years and shall not extend beyond 2015. The granting of other incentives for tourism is subject to the eligibility criteria contained in the Finance Bill 2011. In line with the new Mines and Mineral Act 2009, all diamond mining activities, including artisanal mining, will be subjected to the 6.5 percent royalty rate. The implementation of this policy is expected to raise an additional Le 10 billion in 2011.

89. Mr. Speaker, to facilitate investments in staff training, Research and Development, and export promotion as well as to encourage employment for the disabled, Government has provided enhanced deductibles before deriving taxable income. The related deductibles are also contained in the Finance Bill 2011.

(b) Expenditure Estimates

90. Mr. Speaker, Honourable Members, as indicated earlier, this budget represents a step-change to scale-up infrastructure investment by this Government. This, coupled with smart spending targeted at major improvements in key areas such as education, health, agriculture and a decent wage for public sector workers, will make this budget a key milestone towards the attainment of the MDGs. The expenditure allocations I am about to announce reflect Government's strategic priorities as set out in the Agenda for Change. Total expenditure and lending minus repayments for the Financial Year 2011 is estimated at Le 2.24 trillion or 25.8 percent of GDP, compared to an estimated Le1.86 trillion or 24.5 percent of GDP in 2010.

Non-salary, Non-interest Recurrent and Capital Expenditure Allocations

91. Mr. Speaker, recurrent expenditures, excluding wages and salaries and interest payments, are estimated at Le 617.1 billion or 7.1 percent of GDP. Capital and development outlays will increase by 38 percent to Le 883.9 billion or 10.2 percent of GDP. Transfers to local councils are estimated at Le 86.9 billion. An amount of Le 32.6 billion is allocated for local government development projects, of which Government is providing an amount of Le 11.7 billion as development grants to local councils.

Sectoral Expenditure Allocations

Roads

92. Mr. Speaker, Honourable Members, Government will strive to complete ongoing infrastructure projects in energy and roads. In this regard, Government is allocating an amount of Le 85.7 billion under the domestic development budget for the rehabilitation of streets in district headquarter towns and Freetown, including our own contribution to ongoing donor-financed road

projects. In addition, Government is allocating an amount of Le 64.8 billion from Road User Charges to the Road Maintenance Fund for road rehabilitation and maintenance. The overall budgetary allocation for the roads sector, including an amount of Le 133.5 billion for donor-financed projects, is estimated at Le 284 billion or 19 percent of total expenditures, excluding wages and interest payments.

Energy

93. Mr. Speaker, our focus in the energy sector is to further improve the distribution and transmission network in Freetown and restore electricity to all District Headquarter Towns, including providing electricity supply to remote rural areas with solar technology. In this regard, Government is allocating an amount of Le 79.8 billion for energy projects under the domestic development budget.

Water

94. Mr. Speaker, Honourable Members, for the water sector, Government is allocating an amount of Le 6.7 billion to improve access to clean water, especially in rural areas. An amount of Le 4.1 billion is provided for the rehabilitation of water supply systems in rural communities, including Mile 91/Yonibana and Pujehun; Le 2 billion for the construction of wells and gravity-fed systems in communities between Calaba Town and Masiaka; and Le 300 million to improve water supply in Sumaila Town and Sorie Town in Freetown.

Agriculture, Fisheries and Marine Resources

95. Mr. Speaker, Honourable Members, Government will continue to implement the National Sustainable Agricultural Development Programme (NSADP), including the provision of subsidised inputs, machinery and training to an additional 20,000 farmers as well as to construct additional Agricultural Business Centres under the Small-Holder Commercialisation Programme.

96. In this regard, Government is allocating an amount of Le 22.4 billion for recurrent spending to the Ministry of Agriculture, Forestry and Food Security, of which Le 14.3 billion will be channelled towards Food Security activities. An amount of Le 13.5 billion will be transferred to local councils for agricultural activities. In addition, Le 94.2 billion is allocated from the capital budget to the agriculture sector, including Le 26.3 billion to expand the Small-Holder Commercialisation Programme.

97. The Ministry of Fisheries and Marine Resources is being allocated an amount of Le 924 million from the recurrent budget and an additional Le 12.5 billion from the development budget. The budget will continue to support the regulatory, surveillance, capacity development and revenue generating activities in the Ministry.

Human Development – Education, Youth and Sports, Health and Social Protection

Education, Youth and Sports

98. Mr. Speaker, Government is allocating to the Ministry of Education, Youth and Sports an amount of Le 76.1 billion under the recurrent budget. Grants to tertiary institutions amount to Le 42.4 billion. An amount of Le 15.2 billion is being allocated for grants to Government boarding schools, payment of examination fees for WASCE and support to the Girl Child programme in secondary schools. In addition, an amount of Le 500 million is being allocated for the new Barefoot Solar Technicians Training Centre at Konta Line. An amount of Le 1.0 billion is being provided for the operations of the newly established Youth Commission and Le 1.7 billion for sports programmes.

Health

99. Mr. Speaker, Honourable Members, Government is allocating to the Ministry of Health and Sanitation an amount of Le 31.9 billion under non-salary recurrent budget to support health related activities. Of this, Le 6.8 billion is allocated to support the Free Health Care initiative and Le 3.7 billion for medical supplies, medical equipment and ambulances. An amount of Le 32.1 billion is provided to the local councils for the provision of health services, including support to district hospitals. In addition Le 4.0 billion is provided under the domestic development budget for the refurbishment of Government hospitals.

Social Protection

100. Mr. Speaker, Honourable Members, the allocation to the Ministry of Social Welfare, Gender and Children's Affairs is increased by 65 percent to Le 5.8 billion to support programmes for the disadvantaged members of our society. Of this, an amount of Le 1.6 billion is allocated to the Children's Commission in support of Child Orphans. An amount of Le 600 million is also provided to support programmes for disabled persons.

101. In support of the implementation of the new National Safety Net programme for those that are 60 years and above, Government is allocating an amount of Le 2.3 billion to the Ministry of Employment, Labour and Social Security.

Good Governance, Peace and Security

102. Mr. Speaker, Honourable Members, in recognition of the increasing safety of our country, the UN Security Council lifted all remaining trade sanctions in September 2010, citing the much improved security situation. To sustain these gains, Government is allocating an amount of Le 56.7 billion to the Ministry of Defence in support of military operations, including an amount of Le 14.5 billion for rice supplies. An amount of Le 32.1 billion is provided for the Police; Le 10.5 billion for Prisons Department; Le 2.4 billion for the Office of National Security; and Le 1.6 billion for the Immigration Department. The National Fire Force is allocated an amount of Le 3.6 billion, of which Le 1.8 billion is for procurement of new fire engines.

103. Mr. Speaker, the 2012 Presidential, Parliamentary and Local Government elections are critical in the democratic transition of Sierra Leone. Government and its development partners are therefore considering a multi-partner support programme for the National Electoral Commission (NEC) and other electoral institutions, in particular, the Political Parties Registration Commission (PPRC), within the NEC electoral cycle (2011-2014) and their respective strategic plans. Financing will aim to: (i) Ensure that electoral institutions have the capacity to administer technically sound, credible and sustainable elections; (ii) improve public confidence and participation in the electoral process; and (iii) ensure peaceful polls by providing adequate capacity for management of any elections-related conflict, before, during and after elections. In this context, the budgetary allocation to the National Electoral Commission is increased to Le 64.1 billion to begin preparations for the elections in 2012. To strengthen the activities of this House, Government is allocating an amount of Le 10.5 billion to Parliament, of which Le 5.6 billion is for Constituency Development and Le 1.6 billion is for the Parliamentary Service Commission. An amount of Le 5.4 billion is provided for the Anti-Corruption Commission; Audit Services, Le 6.3 billion; Law Officer's Department, Le 9.4 billion; and Statistics Sierra Leone, Le 4.4 billion. An amount of Le 400 million is allocated for the re-establishment of District Offices.

104. Mr. Speaker, the detailed budgetary provisions for all the Ministries, Departments and Agencies is shown in the Budget Estimates.

Wages and Salaries

105. Mr. Speaker, Honourable members, as I stated earlier, while we have made great strides in developing and implementing first-rate strategies to improve economic management and processes, we are yet to adequately address major challenges in enabling the public service to fully fulfil its core mandate and improve on service delivery in a significant way. The issue has been accorded the highest priority by Government. The details of Government's pay reform programme have already been outlined above. In light of the foregoing, we are proposing an increase in the wage bill from Le 514.9 billion in 2010 to Le 566.5 billion in 2011, to facilitate the commencement of implementation of the multi-year structured salary increase after approval by Government. In addition, and as indicated, efficiency savings in cutting wasteful expenditures will also be used to fund further increases in the wage bill.

106. Mr. Speaker, the Accountant General's Department has observed that there are thousands of civil servants that still do not have NASSIT Social Security numbers, although contributions are deducted and paid on their behalf. The lack of administrative records means these employees may not receive their entitlements after retirement. Therefore, the Accountant General will be conducting further sensitization to ensure all MDAs assign NASSIT Social Security numbers to all employees. The Accountant General stands ready to freeze the salaries of those employees that fail to comply.

(c) Overall Budget Deficit and Sources of Financing

107. Mr. Speaker, Honourable Members, the overall budget deficit, including grants from international partners, will amount to Le 492.1 billion or 5.7 percent of GDP. This deficit will be financed largely from external sources in the form of concessional programme and project loans. Foreign financing will amount to Le 271 billion or 53 percent of the total financing requirement. Domestic financing will amount to Le 195 billion, of which Le 152 billion will come from the domestic banking system and Le 43 billion from non-bank

sources. Proceeds from the privatization of public enterprises are expected to provide an additional financing of Le 49 billion.

VIII. POTENTIAL RISKS TO THE IMPLEMENTATION OF THE 2011 BUDGET

108. Mr. Speaker, Honourable Members, having outlined Government's revenue and expenditure plans for 2011, I would like to emphasise that there are downside risks that may impact negatively on the effective implementation of the Budget.

109. First, inefficiencies in domestic revenue collections coupled with the declining trend in external budget support could impact on our expenditure plans. To minimise this risk, in addition to enhancing the operations of the NRA, the Ministry of Finance and Economic Development will continue to engage Ministries, Departments and Agencies to ensure that agreed benchmarks for budget support are implemented on time as agreed with our development partners.

110. Second, Mr. Speaker, the performance of contractors in completing projects poses the greatest threat to our ambitions. All of us must guard against the risk of delays and/or non-completion of projects by contractors. In this regard, Government is instituting measures to monitor the selection of quality contractors as well as ensure effective project management by continually monitoring the performance of contractors.

111. Third, our country continues to be vulnerable to shocks in the global economy as a result of our dependence on overseas development assistance and primary exports. There is a heightened risk that the global economy might move back into stagnation in the coming year. Any double-dip recession would undoubtedly impact on the budget via lower external financial support, reduced foreign exchange earnings and lower than expected domestic revenues.

112. Fourth, Mr. Speaker, we are looking ahead to elections in 2012. As a democratic Government, we believe firmly that it is Government's responsibility to prepare for elections and ensure all funds are in place to do so. We welcome

the support of our international partners, especially those who have already committed funds to support the electoral process. However, in the event that donor support is lower than anticipated, the Government will need to step in by diverting funds away from other priority areas to support the election process.

113. Finally, Mr. Speaker, the existing regimes and volume of requests for duty and other tax exemptions have tended to severely erode our tax base and undermine the effective progressivity, fairness and efficiency of the tax system. In the process, significant revenues have been lost to the Government. Beginning in 2011, the exemption regime will be critically reviewed and streamlined to ensure fairness and also to avoid misuse and revenue losses. In the meantime, I would like to appeal to all, especially those institutions that hold legal claim on exemptions to ensure this facility is not misused. As treasury transfer, tax exemptions must be regarded as Government's contribution to project and non-project aid.

IX. CONCLUSION

114. Mr. Speaker, Honourable Members, I would like to take this opportunity to express my sincere thanks to all of our development partners who continue to provide us with resources and support for the implementation of the Agenda for Change. We will continue with our regular consultations and bilateral engagement through our Development Partnership Committee (DEPAC) meetings.

115. I would also like to extend my gratitude to all those who contributed to the budget formulation process, including the preparation of the Estimates and this Statement. I would like to mention in particular the Chairman and Members of the Parliamentary Finance Committee, my colleagues in Cabinet, the Governor, management and staff of the Bank of Sierra Leone, staff of the Law Officers Department, members of the District Budget Oversight Committees, my Deputy Ministers, the Financial Secretary and staff of my Ministry and other MDAs. I would also like to recognise the invaluable contributions received from private sector institutions, including the Sierra Leone Chamber of Commerce, Industry and Agriculture, and the Sierra Leone

Association of Manufacturers. As usual, the Government Printer and Staff rose to the occasion and printed the budget estimates and this Statement on time.

116. Mr. Speaker, Honourable Members, in concluding this statement, we now do recognise that our people are increasingly concerned and interested in actual outcomes, not promises, not activities and not outputs. The global change in public sector management means that Governments are increasingly being called upon on to show results. With improvements in the economy and enhanced implementation of the Agenda for Change, this has allowed us as a Government to expend huge resources in the key sectors with visible improvements throughout the country. Our equally strong support to decentralisation through substantially higher resources released to local councils is also compatible with consistent improvement in public service delivery. Fiscal decentralisation has put into the hands of elected representatives substantial resources to manage and to account for.

117. Mr. Speaker, strong monitoring of Government programmes is therefore required by all of us. In this regard, Government is at the early stages of refining organisational level indicators for major outcomes against which major expenditure decisions will be made. Thus, from 2011, all beneficiary MDAs receiving substantial resources from Government will be required to publish data on their performance and outcomes to facilitate monitoring and evaluation of projects and activities.

118. Finally, Mr. Speaker, Honourable Members, this budget is for a country reconnected by a shared vision – the Agenda for Change. This budget invests in building that future for the development of our country. I, therefore, commend it to this House.

119. Mr. Speaker, Honourable Members, I now move that the “Appropriation Bill, 2011” be read for the first time.

120. Thank you and God bless us all.

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