

MR. SPEAKER, HONOURABLE MEMBERS

## I. INTRODUCTION

Mr. Speaker, Honourable Members, I rise to move that the Bill entitled, "An Act to provide for the services for Sierra Leone for the Financial Year 2014" be read for the first time.

2. Mr. Speaker, Honourable Members, you will all recall that His Excellency, the President Dr. Ernest Koroma, made a commitment to improve the lots of youths and women of our beloved country, Sierra Leone. Government has therefore dedicated this budget to the youth, women and our workforce. Hence, the *Theme: "Improving the Livelihood of Youth, Women and our Workforce."*

3. This budget is the first annual plan of the Agenda for Prosperity (2013-18) aimed at charting the road to our collective prosperity and to a Middle Income Country (MIC) Status. This budget offers new opportunities, it provides for a new economic model and a paradigm shift in our national economic development.

4. This is a pro-poor budget that provides the foundation to diversify our economy, to be globally competitive and to accelerate our human development. In so doing, it proposes to improve labour conditions and employment opportunities for our youth and women, improve governance, mainstream social protection and empower our youth and women. This is a people centred budget, a plan for inclusive economy and finance, and a strategy that put money in the pockets of our people.

5. This budget subsidizes tuition fees for about 18,000 University Students, provides school fees subsidy for about 1,350,000 school children, improve access to credit for our youths and women, establishes a Fund to train our youths and women, creates a Fund to economically empower our youths and women, provides opportunities for our youths and women to actively participate in the agriculture value-chain and other enterprises, and protect our girls from teenage pregnancy, among others.

6. Mr. Speaker, Honourable Members, our people witnessed the tremendous transformation throughout the country as we implemented the Agenda for Change. We have witnessed a resilient economy underpinned by strong economic growth in the face of global economic challenges, declining inflationary pressures, a new record low domestic interest rates, stable exchange rates, increased output of food and export crops, increased investment in trunk, city and feeder roads, increased electricity generation including solar street lights in Freetown and the provinces, free health services for children, pregnant women and lactating mothers; free primary school education; and payment of examination fees for NPSE, BECE and WASSCE; reduction in the barriers to business development; significant improvement in public financial management; and increased inflows of foreign direct investment; all of which have translated into significant reduction in the incidence of poverty from over two thirds of the population in 2004 to about half of the population in 2011.

7. Our social services are also improving with the implementation of the free health care programme. The number of children sleeping under insecticide treated bed nets increased three-fold. The proportion of deliveries taking place in health facilities increased from 17.8 percent in 2008 to 55 percent in 2011 and further to 60.9 percent in 2012. The percentage of children immunised against common childhood diseases increased from 54.6 percent in 2008 to 83.8 percent in 2011 and further to 87 percent in 2012.

8. Mr. Speaker, Honourable Members, these achievements have not gone unnoticed. They have been recognised by our development partners and international rating agencies as highlighted below:

- the MO Ibrahim Governance Index rated Sierra Leone as having the third fastest improving governance score for the past six years
- the World Bank's Country Policy and Institutional Assessment (CPIA) elevated our country from being a weak to medium performing country in 2013
- The World Bank's Doing Business Report rated us among the top 10 reforming countries in general and the best in protecting investors in particular
- Our country used to occupy the bottom position on the United Nations Development Programme Human Development Index (HDI) up to 2009 but moved 10 places from the bottom in 2012.

9. Mr. Speaker, in spite of these accolades, more needs to be done. Significant challenges still remain. Unemployment, especially among the youth, is still high. Child, infant and maternal mortality rates as well as primary school completion rates, though improving, are yet to reach the averages for Sub-Saharan Africa. Our infrastructure is still relatively weak. Given this situation, we must respond to ***His Excellency, the President's call to do more.***

10. Mr. Speaker, Honourable Members, I will now briefly review global and regional economic developments in 2013 and outlook.

## II. GLOBAL AND REGIONAL ECONOMIC DEVELOPMENTS AND OUTLOOK

11. Mr. Speaker, Honourable Members, growth in the global economy remains subdued as downside risks persist with new risks emerging. While advanced economies are recovering, reflecting recovery in the United States, Japan and to some extent the Euro Area, growth in emerging market economies, which accounted for the bulk of global growth in recent years, has moderated. As a result, Global output growth in 2013 has been revised downwards from 3.3 percent earlier in the year to 2.9 percent in October. The global economy is expected to grow by 3.6 percent in 2014, lower than the earlier projection of 4.0 percent.

12. Growth in Emerging Market and Developing Economies is estimated at 5 percent in 2013 and is projected, at 5.5 percent in 2014, lower than earlier projected, reflecting weaker growth prospects in China and the other major emerging market economies. This is attributed to infrastructure bottlenecks and other capacity constraints, slower external demand growth, lower commodity prices, financial stability concerns, and, in some cases, weaker policy support.

13. Growth in Sub-Saharan Africa is expected to remain robust, though lower than earlier anticipated. Our regional economy is expected to grow by 5.0 percent in 2013 and 6.0 percent in 2014 reflecting continuing investment in infrastructure and export capacity as well as strong growth in mineral export and lower income countries, including Sierra Leone.

14. These changing growth patterns raise new policy challenges for low income countries. In the face of these global downside risks, our foremost task is to implement sound fiscal and monetary policies to ensure macroeconomic stability and focus on structural reforms for growth and inclusiveness. Achieving this requires the concerted and coordinated efforts of all Sierra Leoneans to support the implementation of ***The Agenda for Prosperity***.

15. Mr. Speaker, Honourable Members, permit to present domestic economic development in 2013.

## III. MACROECONOMIC AND BUDGETARY PERFORMANCE, 2013

### Macroeconomic Performance

16. Mr. Speaker, Honourable Members, despite a difficult global financial and economic environment, we have continued our pursuit of sound macroeconomic policies. On the basis of this performance, the Executive Board of the International Monetary Fund (IMF) approved our request for a new economic programme supported under the Extended Credit Facility (ECF) in an amount of US\$ 95.9 million in October 2013. The programme aims to scale-up spending on infrastructure and basic social services and policies to support macroeconomic stability. Going forward, Government will strengthen fiscal policy implementation to support macroeconomic stability, private sector development and job creation.

17. Mr. Speaker, thus far, our economy is on track to achieve the projected growth rate of 13.3 percent in 2013, reflecting buoyant activities in the mining sector supported by the expansion in agriculture, services and construction sectors. Excluding iron ore, the economy is expected to grow by 6.0 percent in 2013.

18. Inflationary pressures moderated during 2013 with the year-on-year inflation returning to a single digit of 9.5 percent in July and further declined to 9.1 percent in September 2013, reflecting the stability in the exchange rate, the increased domestic food production as well as proactive monetary policy supported by prudent fiscal policy.

19. Following prudent expenditure management underpinned by Government's stance of zero borrowing from the domestic securities market during the first half of the year, interest rates on government securities plummeted. The 3-months Treasury bill rate declined from 19 percent in December 2012 to 3.5 percent in October 2013. Interest rates on Treasury Bonds declined from 20 percent in December 2012 to 6 percent in October 2013. Despite these developments in the securities market, commercial banks lending rates remain high. Nonetheless, Lending rates gradually declined to between 19.7- 25.3 percent in October from a range of 21-29 percent.

20. Total exports rose by 68 percent during the first half of 2013 to US\$ 850 million compared to US\$ 506 million for the corresponding period in 2012. The rise in exports was largely driven by iron ore which amounted to US\$ 433.5 million or 51 percent of total exports.

21. Total imports increased by 31 percent to US\$995 million for the first half of 2013 compared to US\$ 757 million for the same period in 2012. The increase in imports was driven mainly by food and fuel imports. Thus, the trade balance for the first half of 2013 narrowed to US\$ 145.2 million compared to US\$ 251.3 million during the first half of 2012.

22. Gross international reserves amounted to US\$ 426.7 million equivalent to almost 3.0 months of imports as at end September 2013. The rise in exports and foreign direct investments impacted positively on the exchange rate which has remained stable against major international currencies during the period.

## **Budgetary Performance**

### **Domestic Revenues**

23. Total revenues collected as at end September 2013 amounted to Le 1.65 trillion or 9.5 percent of GDP. The improved revenue collection is mainly due to the better-than expected performance of Income Taxes, Goods and Services Tax (GST) and Non-tax revenues, including mining royalties, licences, fees and other levies.

24. Income taxes amounted to Le 646.3 billion and exceeded the target by Le 42.1 billion mainly due to improved collections of personal income taxes reflecting the increased employment in the mining sector. Goods and Services Tax collections amounted to Le 327.6 billion.

25. Customs and Excise duties collected amounted to Le 366.4 billion. This is below the target due to lower than expected collection of petroleum excise duties. The lower petroleum excise duties resulted from the constant pump prices maintained by Government despite the higher and increasing international prices of petroleum products. Non-tax revenues amounted to Le 309.2 billion.

## **Grants**

26. Total grants as at end September 2013 amounted to Le 278.4 billion. Of total grants, programme grants (external budgetary support) amounted to Le 66.0 billion while disbursed project grants amounted to Le 212.5 billion.

## **Expenditures**

27. Total expenditures and net lending as at end September 2013 amounted to Le 2.2 trillion or 12.7 percent of GDP. Of this, recurrent expenditures amounted to Le 1.67 trillion. Wages and salaries amounted to Le 782.2 billion.

28. Total interest payments amounted to Le 224.0 billion. Of this, interest payments on domestic debt amounted to Le 208.1 billion. Foreign interest payments amounted to Le 15.9 billion.

29. Non-salary non-interest recurrent expenditure amounted to Le 654.5 billion. Of this, expenditure on Goods and Services amounted to Le 423.3 billion. Transfers to Local Councils amounted to Le 81.7 billion. Transfer to the Road Maintenance Fund amounted to Le 40.1 billion.

30. Capital expenditure amounted to Le 589.5 billion. Loans and grants disbursed by development partners to fund capital projects amounted to Le 335.1 billion. Domestically funded capital expenditure amounted to Le 254.3 billion.

## **Budget Deficit**

31. The overall budget deficit, including grants, amounted to Le 270.4 billion or 1.6 percent of GDP. Excluding grants, the budget deficit was Le 548.9 billion. The lower budget deficit reflects the fiscal consolidation and rationalization of expenditures especially during the first half of 2013.

## **Financing**

32. Mr. Speaker, Honourable Members, as mentioned to this House in July whilst I was presenting the Supplementary Budget, execution of the 2013 budget has been very challenging. You will recall that at the end of 2012, we accumulated and carried over into 2013 about Le 251.3 billion of unpaid obligations in the form of printed cheques and vouchers. This distorted budget execution especially during the first half of this year, as we have to use a combination of programmed and unprogrammed budgetary resources to clear the obligations.

33. To prevent this problem from recurring by the end of this year, we have executed the 2013 budget in aggregate within the overall programme expenditure allocations in the revised budget and this has been supported by improved domestic revenue mobilisation. Despite our efforts, it is likely that we would roll-over about Le 150 billion of uncleared obligations into 2014 due to delays in the disbursement of programmed 2013 budgetary support from our development partners. We have however, received strong commitments from our development partners that the outstanding budgetary support disbursement of about Le 236.7 billion would be made by end of December 2013.

34. In this vein, I am seeking the approval of Parliament to allow the Bank of Sierra Leone to provide a bridge financing of Le 90 billion (above the statutory limit) to the Government in the form of Ways and Means Advances to clear these obligations immediately. My Ministry will sign a Memorandum of Understanding with the Bank of Sierra Leone to refund this advance in full once budget support disbursement from development partners materializes by the end of this year.

35. The Bank of Sierra Leone will use its monetary instruments to mitigate potential impacts of this arrangement.

#### **IV. MEDIUM-TERM MACROECONOMIC OBJECTIVES AND PROSPECTS, 2014-2016**

36. Mr. Speaker, Honourable Members, the outlook for our economy is encouraging. We forecast this will translate into a sustained and robust economic growth; low inflation; higher government revenues; increased exports and foreign exchange reserves; and a stable exchange rate.

37. Our overriding objective as a Government in the medium term is to create job opportunities for our youth and women through sustained and inclusive growth. Economic growth will be supported by the continued rises in iron ore production and exports; higher productivity in agriculture; scaling up of public investment, especially in infrastructure; and the projected expansion in the services and construction sectors.

38. Exports will grow by an average of 21.1 percent over 2014-2016. However, import growth will moderate to an average of 4.6 percent over the same period due to the scaling down of machinery imports by mining companies.

39. The exchange rate will remain market determined and is expected to be stable against major international currencies as export earnings, FDI inflows and remittances increase in the medium term.

40. Mr. Speaker, Honourable Members, in summary, our medium-term economic objectives for the period 2014-16 are (i) to achieve an average real Gross Domestic Product growth (excluding iron ore) of 6.5 percent by 2016. Including iron ore, GDP is

expected to grow by 14 percent in 2014 and by an average of 10 percent during 2015-2016; (ii) reduce inflation to 7.5 percent in 2014 and further down to 5.4 percent by 2016; and (iii) improve gross foreign exchange reserves to about four months of imports.

41. The attainment of these medium-term objectives would involve a sound policy mix of monetary, fiscal and debt management policies as described in the following sections.

### **Fiscal Policy**

42. Mr Speaker, our Government is committed to strengthen fiscal policy. As part of measures to achieve this, my ministry is streamlining the chart of accounts and budget codes to better align expenditure allocations to fully costed activities. This will allow easy monitoring of allocation releases and budget implementation by all stakeholders. Transfers to Local Councils will be enhanced to improve service delivery in rural areas. Critical poverty reducing programmes in health, education and social protection will continue to receive substantially higher appropriations despite increased capital spending.

43. Domestic revenue collection efforts in 2014 and the medium term will focus on (i) broadening the tax base; (ii) reducing customs and GST duty waivers; (iii) combating tax evasion; (iv) enhancing transparency and accountability in revenue collection, (v) strengthening enforcement and compliance and (vi) strengthening revenue administration through administrative reforms including use of advanced information technology. A specialised Unit for the administration of revenues from the Extractive Industries will be established at the National Revenue Authority (NRA).

### **Monetary Policy**

44. Mr. Speaker, Honourable Members, the primary objective of monetary policy will focus on achieving low inflation. To this end, the Bank of Sierra Leone will continue to rely on Open Market Operations (OMO) in the implementation of monetary policy. To strengthen its operations, Government has allocated the sum of Le11.4 billion to recapitalize the Bank of Sierra Leone to enhance its implementation of monetary policy as well as improve its operating environment through the rehabilitation of dilapidated infrastructure.

45. Going forward, the Bank of Sierra Leone, in collaboration with the Ministry of Finance and Economic Development (MoFED), will implement reform measures geared towards improving the efficiency of the securities market. As the prospects of issuing a two to three year bond denominated in domestic currency to support the financing of infrastructure projects is receiving our attention, the Bank of Sierra Leone will develop guidelines for primary dealer system that will facilitate trade in government securities. An issuance calendar will also be prepared to enhance the success of issue and encourage active liquidity management in the banking system. This will also promote greater transparency in the banking sector.

## **Payments Systems Development**

46. Mr. Speaker, Honourable Members, during the year, all four components of the West African Monetary Zone (WAMZ) payments systems project were implemented and gone live. These include the Core Banking Application (CBA), the Automatic Cheque Processing/Automated Clearing House (ACP/ACH), the Real Gross Time Gross Settlement (RTGS), and the Scriptless Security Settlement (SSS).

47. The completion of the Payments Systems Project has contributed immensely towards enhancing efficiency in the payments system through its capability to support transactions on real time basis. It has also shortened the clearing and settlement lags, in the payment system as well as strengthened credibility and confidence in the intermediation role of the banking system thereby promoting private sector development and growth consistent with the vision of the Agenda for Prosperity.

48. In an efforts to guarantee a smooth and uninterrupted provision of secure, resilient, convenient, reliable and efficient payment services to the economy under the project, the Bank of Sierra Leone has constructed a state of the art disaster recovery site which, will serve as an alternative site located elsewhere for the operation of the system in the event of contingency.

## **Public Debt Management**

49. Mr. Speaker, Honourable Members, as at end June 2013, Sierra Leone's total public debt stood at Le 6.0 trillion. Despite the increase in the stock of debt due mainly to finance infrastructure, agriculture and human development projects, Government recognises the importance of debt sustainability in the medium to long term.

50. In this regard, Mr. Speaker, I am pleased to inform this Honourable House that a recent debt sustainability analysis conducted by the International Monetary Fund showed that our external debt is sustainable in the medium to long term with moderate risk of debt distress. The ratio of external debt to GDP of 24.2 percent is well below the threshold of 40 percent. Thus, Government will continue to implement prudent external borrowing policies by prioritizing highly concessional loans with a mix of non-concessional financing, especially for infrastructure projects with high rates of return.

51. As I announced earlier, Government's stance to limit borrowing in the domestic securities market resulted in a significant reduction in domestic interest payments. In fact, the savings in domestic interest payments of over Le50 billion in the first half of 2013 assisted our efforts to clear the mounting arrears on subscriptions to international organisations.

52. To maintain the current momentum, Government, in collaboration with the Bank of Sierra Leone, will lengthen the maturity profile of securities in 2014 by issuing medium-term Treasury bonds. To enhance market participation, transparency and communication to investors, the regular weekly Treasury bills auction and bond issuance will be preceded by a quarterly Auction Calendar stating the volume of domestic financing requirements of the Budget.



## V. THE PATH TO PROSPERITY- FIRST STEP

53. Mr. Speaker, Honourable Members, in keeping with the aspirations of our people, following the successful Sierra Leone Conference on Development and Transformation, we commenced work on the Agenda for Prosperity as the first five-year road map towards the forward march to becoming a middle income country by 2035. The vision is that our country would achieve (i) macroeconomic stability with private sector export -led growth generating wide employment opportunities; (ii) a well educated, healthy population; (iii) a well developed infrastructure; (iv) good governance and rule of law; (v) gender equality; (vi) good environmental protection; and (vii) responsible natural resource exploitation.

54. Mr. Speaker, Honourable Members, we are now setting for ourselves more ambitious targets that would generate a major difference in livelihoods of all Sierra Leoneans through more job opportunities, higher incomes and a vibrant business sector. The target is annual *per capita income* growth of 4.8 percent and annual GNI growth of 6.7percent to attain Middle Income status in 2035.

### **Minimum Wage in Government**

55. Mr. Speaker, these ambitious targets will be meaningless unless they translate into more money in the pockets of our workers and people. Hence, our desire to translate growth of the economy into improved living standards for all Sierra Leoneans remains our major objective. In this regard, Government is committing itself to paying a living wage to all its workers by the end of 2017.

56. As a first step, I am today announcing a minimum wage in Government of Le 480,000 with effect from January 2014 for all public sector workers. The tax brackets would be adjusted to ensure that workers are not worse-off as a result of this increase. We will encourage the private sector and other stakeholders to explore the possibility of a catch-up in the short to medium term.

### **New Model for Economic Growth**

57. Mr. Speaker, Honourable Members, one of the key impediments to our economic growth has been the high interest cost of servicing our domestic debts. To put this into perspective, in 2013 alone, domestic interest payments are projected to reach Le293.3 billion. This represents about 63 percent of our domestic capital budget from which most of Government's priority projects are being financed. On the Goods and Services budget, the projected Le 293.3 billion in domestic interest payment exceeds the total allocation to the social and economic sectors which are responsible to implement effective service delivery programmes in Education, Health, Social Welfare, Agriculture, Works, Fisheries and Transport. In essence therefore, despite efforts made during the first half of 2013 to curb Treasury bills interest rates from double to single digits, the current level of our domestic debt though sustainable is still high and hence the associated financing costs crowds out allocations to priority sectors in the budget.

58. We have observed that over the years, Government has been borrowing at the short-end of the securities market to finance critical projects and programmes thereby resulting in high interest costs. We also observed that the Commercial Banks have not been innovative in carrying out their basic intermediation function, which is to mobilise resources and provide credit to the private sector to stimulate economic growth. Rather, they have been heavily dependent on the Government securities market as their major source of revenue. As a result, even individuals with disposable incomes and enterprises have also not been innovative as they prefer placing their surplus funds only in Government securities instead of investing in economic activities.

59. Mr. Speaker, Honourable Members, as a result of the foregoing, Government would target the soft side of our development agenda to be economically inclusive as explained under the three core pillars of Economic Diversification, Global Competitiveness and Acceleration of Human Development. Government will facilitate economic expansion by providing the requisite framework and incentives that would allow ordinary Sierra Leoneans to participate in our economic development programmes. In this regard, the following strategies would be implemented:

- (i) Government will develop structured medium to long term bonds with a clear auction calendar for open trade;
- (ii) Given current low interest rates across all tenures of Government securities, the Ministry of Finance and Economic Development in collaboration with the Bank of Sierra Leone will engage Commercial Banks to ensure that the declining trend in all tenures in Treasury bills rate is reflected in their lending rates to improve access to credit.
- (iii) The Ministry of Finance and Economic Development in collaboration with the Bank of Sierra Leone will explore the possibility of establishing Islamic Banking (non-interest banking) in the medium term;
- (iv) The Stock Exchange would also be strengthened to encourage more private companies to be listed. This will be done through the establishment of the Securities and Exchange Commission;
- (v) Government will resuscitate the National Development Bank to facilitate medium and long-term investments especially in agro-industry. The African Development Bank has consented to provide technical assistance towards the resuscitation of this bank and other development partners have been encouraged to participate. To this end, the sum of Le 2.4 billion has been allocated as Government's seed money towards resuscitating the National Development Bank.
- (vi) The Ministry of Finance and Economic Development will work in collaboration with the Ministry of Trade and Industry to effectively implement the activities in the Local Content Policy especially those relating to Doing Business Reforms.

## **VI. THE 2014 BUDGET**

### **Revenue Projections**

60. Mr. Speaker, Honourable Members, domestic revenue is projected at Le 2.58 trillion or 12.4 percent of GDP. Of this, income taxes are projected at Le 909.9 billion or 4.4 percent of GDP. Corporate profit taxes will contribute Le 258.9 billion and personal income taxes, Le 643.1 billion.

61. Goods and Services Tax (GST) are projected at Le 523.4 billion or 2.5 percent of GDP. Of this, import GST will contribute Le 292.3 billion and Domestic GST, Le231.1 billion.

62. Customs and Excise Duties are projected at Le 650.4 billion or 3.1 percent of GDP. Import duties will amount to Le 298.5 billion. Excise duty on petroleum products is expected to amount to Le 304.1 billion. Other excise duties will amount to Le 31.3 billion. Freight levy will amount to Le 16.4 billion.

63. Royalties and licenses from the mining sector are projected at Le 261.5 billion or 1.3 percent of GDP. Royalty on iron ore is expected to amount to Le 153.4 billion. Royalties on Diamonds and Gold, Bauxite and Rutile are projected at Le 47.5 billion and Le 10.3 billion, respectively.

64. Royalties on fisheries are projected at Le 15.6 billion. Fees, licenses and other charges collected by other Ministries, Departments and Agencies are expected to amount to Le 93.5 billion. Dividends from parastatals are projected at Le 14.0 billion.

65. Road User Fees and Vehicle licenses are projected at Le112.9 billion.

66. To enable the National Revenue Authority achieve these targets set for 2014, the Revenue Task Force will continue its regular meetings to clear bottlenecks that would hinder revenue mobilization.

67. Total grants from our development partners will amount to Le 639.6 billion or 3.1 percent of GDP. Of this, our Multi-Donor Budget Support Partners group, including the African Development Bank, the United Kingdom Department for International Development (UK-DfID), the European Union and the World Bank will disburse Le 245.8 billion. Project grants are expected to amount to Le 422.4 billion.

## **Expenditure Projections**

68. Mr. Speaker, Honourable Members, total expenditure and net lending will amount to Le 4.15 trillion or 20.0 percent of GDP. Recurrent expenditure will amount to Le 2.6 trillion or 12.6 percent of GDP.

## **Wages and Salaries**

69. Mr. Speaker, Honourable Members, Wages and Salaries are projected at Le 1.36 trillion or 6.6 percent of GDP. The provision for Wages and Salaries will accommodate the minimum wage of Le 480,000 per month I announced earlier for public sector workers and will also allow a minimal structured salary increase for higher grades in the Public Service. In addition to this, the minimum gross monthly salary for Teachers, Police and the Military would be Le 600,000 with effect from January 2014. The increase in the wage bill for 2014 will also finance an 85 percent increase in gross salaries to Members of Parliament. Finally, the Ministry of Finance and Economic Development in collaboration with the Ministry of Local Government and Rural Development will put modalities in place to start paying monthly salaries to Paramount Chiefs in 2014.

70. Total interest payments are projected at Le 339.7 billion or 1.6 percent of GDP. Domestic interest payments will amount to Le 300.8 billion and foreign interest payments, Le 39.0 billion.

71. Non-salary, non-interest recurrent expenditures will amount to Le 914.4 billion or 4.4 percent of GDP. Of this, expenditure on Goods and Services is expected to amount to Le 590.8 billion or 2.8 percent of GDP.

72. Capital expenditures are projected at Le 1.54 trillion or 7.4 percent of GDP. Foreign funded capital projects will amount to Le 1.1 trillion or 5.1 percent of GDP. Development partners are expected to disburse Le 633.7 billion as loans and Le 422.4 billion as grants to fund capital projects. For domestically funded projects, Government will provide Le 536.1 billion from internally generated resources.

## **Expenditure Allocations**

### **Pillar 1: Economic Diversification**

73. Mr. Speaker, Honourable Members, the over-reliance on one or a few sectors poses risks to sustainable and inclusive economic growth, job creation and poverty reduction. Economic growth in our country has not led to significant reduction in unemployment due to the lack of diversification.

74. In order to achieve sustainable and inclusive growth and create employment opportunities, we will focus our attention on the sectors that have the potential to generate long term sustainable and inclusive green growth. Our strategies will focus

on agriculture (both small and large scale, subsistence and cash crops), fisheries, manufacturing and tourism. In all these sectors, Government will work to remove constraints including improving access to finance and seeking foreign investments, marketing and export support, research and extension as well as institutional support.

75. In support of economic diversification, Government is allocating an amount of Le 32.1 billion to support activities in the agricultural value chain, including food production and processing; livestock development; and extension services. Le14.1 billion will be transferred to Local Councils to support agricultural activities. An amount of Le 2.8 billion is allocated to the Sierra Leone Agricultural Research Institute (SLARI) to enhance its research activities.

76. Development partners, including the African Development Bank (AfDB), Islamic Development Bank, International Fund for Agricultural Development (IFAD) and the World Bank have committed an amount of US\$ 166.2 million to support various projects in the agricultural sector. Government's contribution to donor funded projects amounts to Le 8.6 billion.

77. The Fisheries sector is allocated Le 1.5 billion to support artisanal fishing and the operationalisation of the fish testing laboratory. Government is also allocating an amount of Le 2.2 billion to promote aqua-culture and support the European Fish Certification Project. Transfers to local councils for fisheries activities will amount to Le140.0 million.

78. Development partners, including the World Bank, European Union and the ECOWAS Bank for Investment and Development (EBID), will disburse US\$ 18.1 million to support activities in the fisheries value-chain. Government is allocating Le 600 million as contribution to donor-funded projects in the fisheries sector.

79. Mr. Speaker, Honourable Members, in support of our goal for an eco-friendly tourism sector that can compete with our neighbours, the Tourism sector will receive Le 2.2 billion. Of this, Le 675 million is for the National Tourist Board to undertake the development and implementation of a Tourism Marketing Strategy. In addition, Le1.4 billion will fund the Lumley Beach Development Project and the Monuments and Relic Development project as part of efforts to promote eco-tourism.

## **Pillar 2: Managing Natural Resources**

80. Mr. Speaker, Honourable Members, the prudent management of our natural resources, both renewable and non-renewable, is central to achieving sustainable green growth. The vision defined in the Agenda for Prosperity relies heavily on use of our natural resources as the initial driver of rapid growth, particularly minerals and probably petroleum. It has the potential to generate significant revenues but can also distort development in various ways if not properly managed.

81. To ensure the prudent management of natural resource revenues, Government will establish a Transformation and Development Fund (TDF). All natural resources revenues will be deposited into the TDF, which will be used to finance transformational projects, stabilize Government expenditures especially during years when revenues are less than expected and to save for future generations.

82. Also, the environment continue to face challenges from ongoing human activities. To address these challenges, Government is allocating an amount of Le 2.4 billion to the Ministry of Lands, Housing and the Environment to inter alia develop land use policy; Ministry of Mines and Mineral Resources, Le1.7 billion to support the formulation of Mines and Minerals policies. The National Mineral's Agency is allocated Le 3.5 billion to ensure the implementation of the mining legislations and regulation of mining activities; the Sierra Leone Environmental Protection Agency, Le145 million; the Forestry Division, Le 837 million; the Sierra Leone Maritime Agency, Le 980 million; and the Meteorological Department, Le 650 million to support various climate and environment related activities.

83. Development partners, including the Africian Development, World Bank, European Commission, United Kingdom's Department for International Development (DfID), have committed US\$ 3.6 million to support various projects in the Mining Sector, including the Sierra Leone Extractive Industries Technical Assistance and Advisory Project. The World Bank has also committed US\$ 3.9 million to support the Wetlands Conservation and Biodiversity Conservation projects. Government's contribution to donor funded projects in the mining sector amounts to Le 1.3 billion.

### **Pillar 3: Human Development**

84. Mr. Speaker, Hon. Members, as emphasized by the President, our objective is to develop human capital to empower our people to reduce poverty as well as accelerate the attainment of the Millennium Development Goals following significant strides during 2008 - 2012. Government plans to improve quality and access to education; provide extensive health services; control HIV/AIDS; provide safe drinking water and improved sanitation; reduce urban migration and mainstream gender parity.

85. In keeping the promise of His Excellency, the President to the Youths, Government allocates to the Ministry of Education, Science and Technology an amount of Le 168.9 billion. Of this, Le 105 billion is allocated to fund tuition fees subsidies for students of Njala University, Fourah Bay College, College of Medicine and Allied Health Sciences (COMAHS) and Institute of Public Administration and Management (IPAM). Grants to tertiary educational institutions amount to Le 29.4 billion. Of this, Grants in Aid to students is Le 9.2 billion that will benefit about 2,500 students in Tertiary Educational Institutions; examinations fees for WASCE, Le 5.7 billion, benefitting about 42,600 students; and Girl Child programme, Le 7.5 billion, which will benefit about 132,000 girls.

86. Transfers to Local Councils for education services will amount to Le 29.1 billion. Of this, Le 3.3 billion is examination fees for NPSE, which will benefit 94,000 pupils; Le 10.2 billion for School Fees Subsidy; Le 1.2 billion for teaching and learning materials and Le 1.7 billion for text books for primary schools; Le 4.2 billion as examination fees for BECE, which will benefit 76,000 pupils; and Le 650 million for science equipment and Le 1.5 billion for text books for secondary schools. In addition, an amount of Le 1.5 billion is allocated to Government Libraries and an additional Le 2.5 billion for educational development.

87. Development partners, including the Arab Bank for Economic Development in Africa (BADEA), OPEC Fund for International Development (OFID), Islamic Development Bank (IDB), Saudi Fund for Development (SFD) and the World Bank will disburse US\$ 59.5 million to support various projects in the education sector, including the rehabilitation of Fourah Bay College and the construction of Technical Vocational Institutes in Kambia, Pujehun, Masingbi, and Kono. Government is also allocating an amount of Le 2.1 billion to fund the rehabilitation of the Port Loko Teachers College as well as the establishment of the University of Science and Technology in Magburaka.

88. Mr. Speaker, to improve the health of the population, the Ministry of Health and Sanitation is allocated an amount of Le 99.1 billion. Of this, Le 36.8 billion is for (i) improving access and quality of basic health services, including malaria, HIV/AIDS, Tuberculosis and Leprosy prevention and control; (ii) Le 24.8 billion for reproductive and child health care services, including Le 20.1 billion for the Free Health Care Programme; and Le 18.1 billion for Tertiary Health Care Services (National and Referral Hospitals) including Le 8.0 billion for the procurement of drugs and medical supplies.

89. A total of about US\$ 63.2 million will be provided by the World Bank, IDB, Kuwait Fund, Global Fund, GAVI Alliance, and BADEA to support various health projects, including the Reproductive Child Health Project, the Maternal Child Health Project; the three Tertiary Hospitals Projects in Freetown that will transform Connaught, Princess Christian Maternity and Ola During Hospitals and the Primary Health Care Support Project in Bombali and Port Loko Districts. Government is providing an amount of Le 2.0 billion for the refurbishment of Government Hospitals. An amount of Le 4.4 billion is also provided as our contribution to the donor-funded projects.

90. Government will transfer an amount of Le 17.8 billion to Local Councils for the delivery of devolved health services in local communities.

91. Mr. Speaker, Honourable Members, as part of our efforts to improve access to pipe borne and safe drinking water, including building capacity and improving institutional and regulatory framework, the Government is providing an amount of Le 7.1 billion to the Ministry of Water Resources. Of this, Le 5.1 billion is Grants to SALWACO.

92. In support of these efforts, the African Development Bank is providing an amount of US\$ 37.3 million for the Three Towns Water Supply and Sanitation Project in Bo, Kenema and Makeni and another US\$ 43.7 million for the Rural Water Supply and Sanitation Projects in Bonthe, Pujehun, Kono, Kambia and Koinadugu Districts. The IDB and BADEA are providing US\$ 13.1 million for the Kabala Water Supply Project.

93. Government is also providing an amount of Le 9.7 billion for the rehabilitation of water supply in selected towns and Le 3.1 billion to improve access to portable water in selected areas in the Western Area.

#### **Pillar 4: International Competitiveness**

94. Mr. Speaker, Honourable Members, the 2013 Global Competitiveness Report reveals that while Sierra Leone's competitiveness index improved slightly from 2.8 in 2012 to 3.0 in 2013, the country faces significant challenges that undermine its ability to compete in the regional and global markets. To address these, Government, in addition to investing in infrastructure, will continue to implement institutional and regulatory reforms to improve the competitiveness of our economy.

#### **Infrastructure**

95. Mr. Speaker, Honourable Members, infrastructure creates jobs, support trade and improve productivity. In this regard, Government will continue with its infrastructure development programme by investing additional resources on roads, energy, and Information, Communications Technology (ICT). The detailed allocations under each category are described below.

#### **Roads**

96. Mr. Speaker, to sustain our current road maintenance programme, Government is allocating an amount of Le 112.9 billion to the Road Maintenance Fund Administration. Of this, an amount of Le 94.7 billion is for road maintenance activities only.

97. Le 254.1 billion is for the rehabilitation and reconstruction of several trunk roads, including the Makeni-Kamakwe-Madina-Oula road; Mange-Mambolo and Rukupur Spur; Bandajuma-Pujehun road; Taiama Junction-Njala University road and the Bandajuma-Pujehun road. In addition, Government is providing another Le 156.6 billion for the rehabilitation of streets in Freetown and District Headquarter Towns, including the widening of the Hillcut Junction-Pademba road into Dual Carriage Way, the rehabilitation of Bottom Mango Signal Hill-Congo Cross road; the Hill Side Bye-pass road and the Lumley-Tokeh road.



98. Development partners, including the European Commission, AfDB, IDB, Kuwait Fund, Saudi Fund, and OFID have committed US\$ 337.1 million for various trunk road projects in the country. These include the Kenema-Pendembu, the Pendembu-Kailahun, Port Loko-Lungi, Matotoka-Yiye, and Yiye-Sefadu, the Moyamba Junction-Moyamba and the Bandajuma-Mano River Union Bridge, Makeni-Kabala, Lumley Beach, Rue de La Paix and the widening of bridges along the Masiaka-Bo road.

99. Government contribution to donor funded road projects amount to Le 93.0 billion. Additionally, Government will provide funds to conduct various road studies including Matotoka-Yele-Bo and Mile 91-Magburaka roads as well as various compensation payments.

100. Development partners, including the World Bank, European Commission and the German Development Cooperation, are also providing US\$ 3.1 million for the construction of feeder roads. Government is providing an amount of Le 500 million as its contribution to the construction of feeder roads.

## **Housing**

101. To save Government an estimated Le 3.0 billion paid annually as rent for Government Offices, the sum of Le 8 billion is allocated in the capital budget to finance the construction of new Government office buildings nationwide. In addition, Government is providing Le 54.3 billion for the rehabilitation of various Government buildings.

102. Finally, to ease the problem of housing in the Western Area and in the provinces, the sum of Le 1.1 billion is allocated in the capital budget to finance the construction of 20 houses each in these areas under a Pilot Housing Scheme.

## **Energy**

103. Mr. Speaker, Honourable Members, there has been a significant improvement in electricity over the last few years. Yet, the demand for energy far exceeds supply. With support from our development partners, Government is committing to improve electricity supply particularly in the Western Area and the three Provincial Cities in the medium term. The objective is to achieve a 24 hour uninterrupted supply in these cities through a combination of improvements in the transmission and distribution system; unbundling and restructuring the energy sector; participate in the West African Power Pool; increase generation and transmission including the Barefoot Solar Energy Strategy.

104. To achieve these objectives, Government is providing Le 80.6 billion to the energy sector. Of this amount, Le 9.2 billion is for the Cote D'Ivoire, Liberia, Sierra Leone and Guinea inter-connection project under the West African Power Pool Project; Le 35.9 billion is for rebuilding the national transmission and distribution network; Le 20.4 for the procurement and installation of 20 Mega Watts of thermal plant for Freetown; Le 4.0 billion for the rehabilitation of Bo-Kenema Power Services; and Le 2.0 billion to the Barefoot College Solar Programme to cover installation of solar panels in households in several rural communities.

105. The World Bank, European Commission, AfDB, IDB, EBID, United Nations Industrial Development Organisation (UNIDO) and China Exim Bank are providing an amount of US\$ 206.9 million to support various projects in the Energy Sector, including the West African Power Pool project US\$ 140.3 million; the Unbundling and Restructuring of the energy sector, US\$ 54.0 million; and the rebuilding of the National Transmission and Distribution Network, US\$ 11.3 million.

### **Information, Communication Technology**

106. Mr. Speaker, Honourable Members, the objective in the ICT sector is to ensure that our country is fully integrated into the global village with affordable rates for mobile phone usage and internet connectivity. In support of these objectives, development partners will provide an amount of US\$ 34.9 million to the ICT sector for the modernization and expansion of the network and communication infrastructure of Sierratel and other ICT projects, including the West Africa Regional infrastructure programme; the ECOWAN programme, and the National Fibre Optic Backbone Project. The Fibre Optic Backbone and other ICT Projects will enhance accessibility and affordability to internet and other communication services. Government is therefore providing Le 7.8 billion as its contribution to these projects.

### **Transport**

107. Mr. Speaker, Government will continue to invest in the existing airport facility by allocating Le 450 million for the completion of the modernisation of the Freetown International Airport at Lungi. Additionally, plans are well advanced for the construction of a second airport at Mamamah with support from China Exim Bank.

108. To ease the problem of transportation in the Western Area and country wide, the Government will procure additional One hundred new buses for the Sierra Leone Road Transport Corporation in 2014.

### **Project Preparation Fund**

109. Mr. Speaker, Honourable Members, a **Project Preparation Fund** would be set up to finance feasibility studies targeting inclusive economic growth. Over the years, Government has lost an average of 24 months in coordinating feasibility studies with development partners. Following the establishment of the Fund, studies will be undertaken to, for example, establish fish farming across all the twelve districts including the Western Area. This will engage women and youths in gainful employment and will also improve on value addition through the creation of cold rooms. The Fund will support feasibility studies in all other sectors.

## **Institutional and Regulatory Reforms**

110. Mr. Speaker, Honourable Members, I will now describe the specific institutional and regulatory reforms that will improve our country's competitiveness.

### **Access to Business Finance**

111. Mr. Speaker, consistent with the Agenda for Prosperity, a Small and Medium-sized Enterprises (SME) Development Strategy was recently formulated with support from the International Finance Corporation (IFC) to address the constraints faced by SMEs. Government will establish **an SME Fund** to support business entrepreneurial skills, innovation, expansion and development as well as Youth and Women's access to credit.

112. With support from IFAD, the second phase of the Rural Finance and Community Improvement Project to improve access to rural finance and enhance financial inclusion will be launched in 2014, in order to consolidate the achievements made under the first phase of the project. This project will support the establishment of nine (9) Community Banks and twenty-three (23) Financial Services Associations (FSAs) to provide financial services to our youths and women in the rural communities. The Project will also support the establishment of an Apex Bank to provide supervisory services to Community Banks and Financial Services Associations. The Apex Bank will in turn be supervised by the Bank of Sierra Leone.

113. To improve on the effectiveness of the operations of Cooperatives, Government is allocating Le900 million to provide financial support for cooperative groups nationwide.

### **Skills Development**

114. Mr. Speaker, Honourable Members, the shortage of relevant skills has been identified as a major constraint that undermines the competitiveness of our companies and industries. While there are many Sierra Leoneans looking for jobs, many employers cannot find workers with the right skills to match available vacancies. This is partly explained by the fact that our training programmes have not been sufficiently aligned to the skills employers need. This in turn has partly contributed to high level of the unemployment especially among our youths and women.

115. To address this situation, Government will embark on the training of a highly skilled, educated and productive work force to both increase employment as well as enhance the competitiveness of the economy. In this regard, Government is establishing a **Skills Development Fund (SDF)** for eligible Sierra Leoneans to undertake highly specialised skilled, technical and vocational training programmes, for example, paediatrics, heart surgery, mining engineering and aeronautical science. The details and implementation arrangements of the SDF will be announced in due course.

## **Regional Integration**

116. Mr. Speaker, Honourable Members, Government will continue to participate actively in efforts to increase regional integration with a focus on trade, infrastructure development, financial markets, investment and business regulation and procedures to improve our competitiveness and access to regional markets. In particular, Government remains committed to the implementation of the ECOWAS Trade Liberalisation Scheme (ETLS) and will complete the implementation of the ECOWAS Common External Tariff (CET), including the recently approved fifth band.

## **Export Development**

117. Mr. Speaker, Honourable Members, to enhance our exports, Government will support various institutions involved in promoting export development in the country. In this regard, Government is allocating Le 5.1 billion as institutional support for export development. Of this, Le 1.2 billion to the Sierra Leone Standards Bureau; and Le 1.6 billion to the Sierra Leone Investment and Export promotion Agency (SLIEPA) to enhance their operations. Government will also establish an **Export Development Fund** for the promotion and diversification of our exports including the provision of financial support for SMEs, Women and Youth Groups, Cooperatives and other organizations engaged in export-related activities.

## **Pillar 5: Labour and Employment**

118. Mr. Speaker. Honourable Members, employment is crucial for poverty reduction and pro-poor growth. In this regard, Le 270 million is allocated to the Ministry of Labour and Social Security for the strengthening of the legal and institutional framework for labour administration

119. Le 400 million is also provided to the Ministry for the creation of job centres and Le 1.5 billion to the Ministry of Youth Affairs as our contribution to the World Bank supported Youth Development and Capacity Building under the Youth Employment Support Project.

## **Pillar 6: Social Protection**

120. Mr. Speaker, Honourable Members, we are faced with a major development challenge to translate growth into substantial reduction in poverty, inequality and vulnerability to risks. In this regard, Government, with support from our development partners, will work to reduce these inequalities through expansion of services coupled with social protection measures for the poorest and marginalised.

121. The Ministry of Social Welfare, Gender and Children's Affairs is allocated an amount of Le 7.6 billion. Of this, Le 4.0 billion is to support various social protection services including grants to welfare institutions, the Disability Commission, diet for

Approved Schools and Remand Homes, and social development programmes. Le 1.3 billion is also allocated to support gender and children's programmes including the Campaign Against Teenage Pregnancy. In addition, Government is allocating Le 1.7 billion to the Children's Commission.

122. Le 2.0 billion is allocated to the Ministry of Labour and Social Security for cash transfers to the aged and vulnerable persons. Le 1.8 billion is allocated to Local Councils for the implementation of social welfare services and for gender and children's services at the local level.

123. In collaboration with the World Bank, the preparation of a National Social Safety Net Project estimated at \$11.0 million which will be implemented in 2014 is almost complete. Government will contribute about Le4.0 billion to this project. The project will provide direct cash transfers to 22,000 extremely poor households and will specifically target women to ensure that benefits accrued to disadvantaged women, pregnant and lactating mothers and young children will support disadvantaged households. This will put money in our people's pockets, help our youths and women.

124. Government is also allocating an amount of Le 680 million for the rehabilitation of Remand Homes and Approved Schools. An amount of Le 930 million is allocated as our contribution to Social Protection projects implemented by National Commission for Social Action ( NaCSA). The IDB is providing US\$ 23.4 million for the implementation of various community-driven and social action projects implemented by NaCSA. These will benefit our youth and women.

### **National Health Insurance Scheme**

125. Mr. Speaker, Honourable Members, in keeping with the intent to look after the health of Sierra Leoneans, for the first time in our history as a people, Government will establish a **National Health Insurance Scheme** to facilitate access to health services. In this regard, Government is allocating an amount of Le 3.5 billion to the Ministry of Health and Sanitation, which will be utilized in collaboration with NASSIT to pilot a Health Insurance Scheme in the country.

### **Pillar 7: Governance and Public Sector Reforms**

126. Mr. Speaker, Honourable Members, the strategic objective of this Pillar is to continue to promote good governance and build the capacity of our public sector and governance institutions and functionaries to deliver effective and efficient public services. Areas of emphasis include capacity building of state and non-state actors; improved justice; safety and security; delivery systems; and the fight against corruption.

127. In this regard, Government will continue to strengthen the Anti- Corruption Commission to collaborate with other oversight institutions to mainstream anti-corruption and transparency mechanisms in public financial management. To this end, Government is allocating Le 3.6 billion to the Anti-Corruption Commission to enhance its operations.

## **Public Enterprise Reform**

128. Mr. Speaker, Honourable Members, the norm is for public enterprises to contribute to the national budget. This is the situation in other African countries. On the contrary, in Sierra Leone, public enterprises constitute a persistent drain on the Government budget. This situation cannot be allowed to continue. As a first step, MoFED in collaboration with the National Commission for Privatisation (NCP) is carrying out a diagnostic study of the operations of public enterprises with a view to ensuring their operational and financial independence. Government will wean off these institutions from the budget and strengthen them to pay dividends to the budget.

## **Strengthening National Security**

129. Mr. Speaker, Honourable Members, a stable security situation is critical for economic growth and prosperity. In support of this, Government is providing Le 70.6 billion to the Ministry of Defence. This allocation from the recurrent budget includes Le17.3 billion for rice supplies to officers and other ranks, Le16.8 billion for the procurement of military vehicles and Le 9.2 billion for drugs and medical supplies. In addition to this, the sum of Le16.3 billion is allocated in the capital budget towards the construction of a new military barracks and Le 5 billion for the rehabilitation of existing facilities.

130. The sum of Le 67.6 billion is allocated from the recurrent budget to the Sierra Leone Police, including Le16.7 billion for rice supplies to officers and other ranks and Le 5.3 billion for the procurement of police vehicles. In addition to this, the sum of Le1.4 billion is allocated in the capital budget towards the construction of a Police Academy, Le 6.7 billion for the procurement of security scanners and Le 1.5 billion for the rehabilitation of existing facilities.

131. The sum of Le 25.7 billion is allocated from the recurrent budget to the Prisons Department. Of this amount, Le12 billion is for Prisoners welfare which includes the provision of diets, toiletries and drugs supplies, Le 6.6 billion for procurement of uniforms and regalia for Prison Officers and Le 2.7 billion for rice supplies to officers and other ranks. In addition, Le 5.8 billion is allocated in the capital budget for the procurement of security hardware for the Prisons Department.

132. The sum of Le 6.7 billion is allocated from the recurrent budget to the National Fire Force. In addition, Government is also providing Le 3.3 billion to the Office of National Security and Le 2.3 billion to the Central Intelligence and Security Unit to strengthen their operations.

133. An amount of Le 17.8 billion is allocated to the Ministry of Internal Affairs. Of this, Le 4.4 billion for the National ID Cards System; Le 8.9 billion for the Machine Readable Passport Project; and Le 4.5 billion for the establishment of an Integrated Civil Register and Multi-purpose National ID Cards.

## **Public Financial Management (PFM)**

134. Mr. Speaker, Honourable Members, as part of our commitment, Government will establish a strong PFM strategy to ensure that overall fiscal policy is strengthened. In this regard, to consolidate achievements under the Integrated Public Financial Management Reform Project, a medium-term public financial management reform strategy supported by our development partners, including the World Bank, AfDB, DfID and the EC has been formulated. This formed the basis for the successor project—the PFM Improvement and Consolidation Project. The objectives of the successor project are to enhance budget planning and credibility; financial controls; accessibility and parliamentary oversight in public finances. The project will also support, *inter alia*, improvements in budget formulation, strengthened public investment management, establishment of a Single Treasury Account and enhancing the analytical and dissemination capacity of civil society for advocacy and scrutiny in the use of public resources

135. Mr. Speaker, to strengthen governance and accountability, Government is providing Le 2.1 billion to the National Public Procurement Authority; Le 4.0 billion to Audit Service Sierra Leone; and Le 65.2 billion to the National Revenue Authority (NRA) to support their various activities.

## **Treasury Single Account**

136. Mr. Speaker, Honourable Members, the existence of multiple bank accounts and off-budget funds of Ministries and subvented agencies, including funds from donor projects outside the Consolidated Revenue Fund poses significant challenges to fiscal control and cash management. To address this, Government is establishing a Single Treasury Account (TSA) that will bring all Government accounts under the control of the Accountant General. This will eliminate idle cash balances in Government accounts and reduce the need for Ways and Means Advances from the Bank of Sierra Leone.

137. To support the implementation of the Treasury Single Accounts system, the Ministry of Finance and Economic Development will consolidate all off-budget revenues collected by other Agencies into the Consolidated Revenue Fund and agree on automatic transfer modalities with the affected Agencies and the Bank of Sierra Leone on the proportion of funds that should be transferred for their operations.

## **Budget Execution**

138. Mr. Speaker, Honourable Members, to strengthen budget execution in 2014, the following measures would be put in place:

- (i) As we move towards activity based budgeting systems, performance coordinators would be appointed in each MDA to monitor performance contracts of Ministers and Senior Government officials;
- (ii) Recurrent budgetary allocations would be tied to performance on the implementation of CPIA, Performance Assessment Framework (PAF), IMF structural benchmarks and Millennium Challenge Co-operation (MCC) triggers for all affected MDAs;

- (iii) Technical assistance would be sought on how we can reduce bureaucracy across Government; and
- (iv) The Ministry of Finance and Economic Development would be restructured to make it a closed professional Ministry that would enable it to efficiently design and implement sound macroeconomic policies.

### **Strengthening National Statistical Systems**

139. Mr. Speaker, Honourable Members, the overall policy goal is for Statistics Sierra Leone to coordinate, collect, compile, analyse and disseminate high quality and objective official statistics to support informed decision making.

140. To this end, Government is providing Le 7.9 billion to Statistics Sierra Leone to cover the regular activities of data collection and analysis. In addition, Le 18.6 billion is provided for the implementation of the National Population and Housing Census, the Demographic and Health Survey and the Labour Market Survey.

### **Promoting Democracy and Human Rights**

141. Mr. Speaker, Government is allocating an amount of Le 920 million to support the activities of the National Commission for Democracy to create the conditions for citizens to be properly educated on the constitution, democratic good governance and principles. For the conduct of bye-elections and election related activities, Government is allocating Le14 billion to the National Electoral Commission.

142. To promote and protect human rights, Government will enhance its support to the Human Rights Commission to build its capacity, extend its regional outreach and promote human rights education. To this end, Government is allocating an amount of Le 1.5 billion to the National Commission for Human Rights.

### **Strengthening the Judiciary**

143. Mr. Speaker, Honourable Members, an effective judicial system is an important element of good governance and contributes to strengthening investor confidence. In this regard, Government will continue with efforts to improve the judicial system to make justice more accessible and affordable. Thus, Government is allocating an amount of Le 3.7 billion to the Law Officers Department to achieve these objectives. Of this, Le 2.1 billion is to the Constitutional Review Committee Secretariat; Le 727.5 million to the Supreme Court; Le 570.0 million to the Court of Appeal; Le 1.1 billion to the High Court; and Le 615 million to the Law Reform Commission.

144. In support of our efforts, the International Finance Corporation is providing an amount of Le 6.9 billion for the Fast Track Commercial Courts. DfID will also provide Le 2.5 billion to support the Access to Security and Justice Programme. The IFC will also disburse Le 4.2 billion for the modernisation of the Office of the Administrator and Registrar General. Government is also providing Le 1.2 billion for the construction of Local Courts nationwide.



## Parliamentary Oversight

145. Mr. Speaker, Honourable Members, the role of Parliament is critical to the implementation of the Agenda for Prosperity as Parliament has the mandate to provide requisite oversight to programmes and projects in the Agenda for Prosperity. In this regard, Government will strengthen the operational capacity and effectiveness of the Public Accounts Committee, the Public Finance Committee and the Transparency Committee to scrutinize the national budget, fiscal and audit reports as required by law. In support of these activities, Government is allocating Le 6.1 billion to Parliament. Of this, Le 1.5 billion is for the Parliamentary Service Commission.

## Constituency Development Fund

146. Mr. Speaker, Honourable Members, Government will establish a Constituency Development Fund (CDF) as a widely acceptable practice. Government is allocating Le 7.8 billion to the Constituency Development Fund to support Members of Parliament deliver projects in their respective constituencies. This will complement Government's efforts in community development. The disbursement modalities of the CDF will be announced in due course.

## Public Sector Reforms

147. Mr. Speaker, Honourable Members, the reform of the public sector will focus on the following four components: (i) **Recruitment and Right-Sizing** which focuses on creating a competent public service with the right size and skills mix to deliver core functions; (ii) **Pay of Public Servants** that involves the implementation of a multi-year pay reform and sound payroll management to attract and retain competent skills; (iii) **Performance Management** aimed at improving the performance and productivity of public servants in order to strengthen accountability and increase citizen's trust and confidence in Government; and (iv) **Institutional Strengthening** to ensure that public sector institutions including Human Resources Management Office (HRMO), Public Service Commission, Public Service Academy and the Civil Service Training College have the right structure, systems and processes to deliver quality services.

148. To support the implementation of this programme, Government is providing an amount of Le 2.2 billion to the implementing institutions. The World Bank is providing US\$ 8.2 million in support of the Public Sector Pay and Performance Project.

149. To regularise the setting of salaries and eliminate disparities in salaries across the public sector especially subvented agencies, Government will set up the Salaries and Wages Commission in 2014. The Commission will harmonize the various pension laws and implement the 2011 Cabinet Directive on the implementation of the Pay Reform Programme. The Commonwealth Secretariat would provide technical assistance to the Government of Sierra Leone in setting up of this Commission.

## **Strengthening Local Governance**

150. Mr. Speaker, Honourable Members, the effective decentralisation of Local Governance is a prerequisite for delivering the Agenda for Prosperity. In this regard, Government will deepen the decentralisation process by building on the achievements to date while addressing remaining challenges. Local Councils will be empowered to take on more responsibilities to ensure that the disbursement of resources is linked to achievement of measurable targets. In support of these, the Ministry of Local Government and Rural Development is allocated Le 3.1 billion, of this Le 741 million, Le 722 million and Le 825 million are for Southern, Eastern and Northern regional offices, respectively.

151. Government will also provide Le 13.9 billion to Local Councils to complete on-going projects.

## **Foreign Affairs and International Cooperation**

152. To continue to strengthen our relationship with the international community and international and regional organisations, the Ministry of Foreign Affairs and International Cooperation is allocated an amount of Le 27.8 billion which includes US\$ 120,000 each for 15 Foreign Missions for the procurement of representational cars and utility vehicles.

## **Relationship with our Development Partners**

153. Mr. Speaker, Honourable Members, our development partners have continued to play a very crucial role in our development agenda. We want to acknowledge the support we received from all of our partners during the implementation of the Agenda for Change and the firm commitments that they have made to support the Agenda for Prosperity. To strengthen our relationship with development partners, the Mutual Accountability Framework will be the key guide in the implementation of programmes and projects. Other International Non-Governmental Organizations are also encouraged to be part of this framework by synchronising their respective activities with the relevant MDAs they are working with. Also, we would develop a project management portal for mutual tracking and management of projects.

## **Pillar 8: Gender Equality and Women's Empowerment**

### **Women and Youth Empowerment Fund**

154. Mr. Speaker, Honourable Members, institutionalised gender inequalities are exacerbated by discriminatory customs particularly in relation to marriage, property rights and sexual offences. The goal of the Agenda for Prosperity is to empower women and girls through education, increasing participation in public institutions and access to justice and economic opportunities.

155. To this end, Government for a start is allocating Le 800 million for the establishment of a **Women and Youth Empowerment Fund**. In addition, all programmes implemented in each of the priority Pillars in the Agenda for Prosperity will be done through a gender and youth lens as gender and youth issues have been mainstreamed in all Pillars.

156. Ministries, Departments and Agencies of Government would have to come up with innovative projects to support women and youth empowerment to access this Fund. The Ministries of Gender and Children's Affairs and Youth Affairs will manage this Fund in collaboration with the Ministry of Finance and Economic Development.

## **IX. RISKS TO THE IMPLEMENTATION OF THE BUDGET**

157. Mr. Speaker, Honourable Members, this ambitious agenda we have set ourselves may face risks in its implementation. I must emphasize that some of these risks are outside our control. These include: (i) possible collapse of international commodity prices, especially iron ore, which will reduce the revenue needed to fund the Agenda for prosperity; (ii) future external shocks such as oil and food price inflation that could complicate execution of the budget; and (iii) the capacity of the public sector to deliver programmes.

158. To manage and mitigate these risks, my Ministry will strengthen the economic team to generate proposals for managing the potential effects on the Agenda for Prosperity if the risks are identified. The membership of the economic team will be announced in due course.

## **X. CONCLUSION**

159. Mr. Speaker, Honourable Members, this is a focused budget, which has established a number of specialised Funds to facilitate the delivery of the Agenda for Prosperity. These Funds include: the SME Fund, Skills Development Fund, Export Diversification Fund, Women and Youth Empowerment Fund, Transformational Development Fund, Project Preparation Fund, and Constituency Development Fund. I would like to encourage our Development Partners and the Private Sector to contribute to these Funds.

160. Mr. Speaker, Honourable Members, I would like to conclude this statement by thanking all our development partners, especially the African Development Bank, the Chinese Government, United Kingdom Department for International Development, United States Agency for International Development the European Commission, Islamic Development Bank, ECOWAS Bank for International Development, Arab Bank for Economic Development in Africa, World Bank, United Nations Development Programme and other United Nations Agency, German Development Cooperation, Irish Aid, Saudi Fund, Kuwaiti Fund and OPEC Fund for International Development. I would also like to thank my colleague Ministers in Government, the Ministers of State and

Deputy Minister in the Ministry of Finance and Economic Development, the Financial Secretary, the Governor, Bank of Sierra Leone, staff of the Ministry of Finance and Economic Development and the Bank of Sierra Leone including staff of the various MDAs.

161. Mr. Speaker, I would like to particularly recognise the Chairpersons of the Finance and Transparency Committees of Parliament, District Budget Oversight Committee Members, civil society representatives, members of the print and electronic media who participated in the open budget discussions at Port Loko. Their valuable contributions and insights have shaped these budget proposals I have laid before the House. As usual, the Government Printer rose to the occasion and produced the printed Statement and Estimates on time.

162. Finally, Mr. Speaker, Honourable Members, in his message on the Agenda for Prosperity, His Excellency the President Dr Ernest Bai Koroma had this to say and I quote "Let me remind fellow Sierra Leoneans that we have together (Government and every stakeholder) committed ourselves to Change. Because prosperity does not pour like rain and will not come to us, we must go in search of it with determination. We must sweat it out with our hands, with our brains and with our minds. Our Agenda for Prosperity marks an end of the chapter of Business as Usual and the dawn of a new Sierra Leone that set out to embrace the value of innovation, of cultural renewal in the work place and respect for public goods, and the realisation that the end result of this new beginning is the extent to which we double our efforts and commit ourselves to the values of self reliance and discipline". This budget sets out to bring the President's message to reality. I, therefore, commend it to the House.

163. I wish every Sierra Leonean a Merry Christmas and a Prosperous New Year.

164. God bless Sierra Leone and all of us.

# **BUDGET PROFILE**



GOVERNMENT OF SIERRA LEONE

# GOVERNMENT BUDGET

and

# STATEMENT OF ECONOMIC AND FINANCIAL POLICIES

*For the Financial Year, 2014*

*Theme: "Improving the Livelihood of Youth, Women and our Workforce"*

DELIVERED BY

**DR. KAIFALA MARAH**

*Minister of Finance and Economic Development*

**in the Chamber of Parliament**

TOWER HILL, FREETOWN

ON

**Friday, 29th November 2013**

at

**10:00 a.m.**



GOVERNMENT OF SIERRA LEONE

**STATEMENT**  
**ON THE**  
**SUPPLEMENTARY GOVERNMENT BUDGET**

*For the Financial Year, 2014*

DELIVERED BY

**DR. KAIFALA MARAH**

*Minister of Finance and Economic Development*

**In the Chamber of Parliament**

TOWER HILL, FREETOWN

ON

**Thursday, 10th July, 2014**

at

**10:00 a.m.**

MR. SPEAKER, HONOURABLE MEMBERS

Mr. Speaker, Honourable Members, you would recall that I presented to this Noble House the Budget and Statement of Economic and Financial Policies for the Financial Year 2014 on 29th November 2013. Parliament subsequently debated and enacted the Appropriation Act of 2014 in December 2013, which paved the way for the commencement of the implementation of the budget in January 2014.

2. Mr. Speaker, Honourable Members, following the implementation of the budget for the first six months, it became apparent that some revenue streams are not performing as expected. Also, based on developments in the economy for the same period, some of the assumptions underlying the original revenue projections have improved resulting in higher than budgeted revenues. We have also received additional grants in 2014. Similarly, on the expenditure side, some categories of expenditures were not adequately budgeted for while new expenditures requirements have emerged.

3. The first review of the Extended Credit Facility (ECF), supported by the IMF, was approved by the Executive Board of the IMF on 19th June 2014.

### **Revisions to the Original 2014 Budget**

4. Mr. Speaker, Honourable Members, permit me to highlight the key changes to the original budget for 2014.

#### **Revenues**

5. Total revenues and grants projected for the year has been revised to Le 3.35 trillion equivalent to 16.4 percent of GDP compared to the original budget of Le 3.22 trillion or 15.5 percent of GDP.



6. Total domestic revenue is now projected at Le 2.61 trillion or 12.8 percent of GDP from Le 2.58 trillion or 12.4 percent of GDP in the original budget. This represents a net increase in projected domestic revenue of Le 31.3 billion, mainly as a result of the increase in income taxes and royalties.

7. Income taxes will be higher than originally projected by almost Le105 billion as personal income and corporate taxes increase above their originally projected amounts whilst royalties on minerals and licenses increase by Le 38 billion above the original budget amounts.

8. Goods and Services Tax (GST) will underperform on account of the challenges in domestic GST collections. Revenues from Customs and Excise taxes are also projected to fall below expectation mainly due to lower than expected collection on Excise Duties on Petroleum products.

9. Mr. Speaker, Honourable Members, a major concern about domestic revenue collection for the rest of 2014 is the current declining prices of iron ore on the international market. The world market price of iron ore has declined from almost US\$136 per metric ton in December 2013 to US\$101 per metric ton in May 2014. If this trend continues, it will result to a reduction in the amount of revenues collected by Government from the mining companies in the form of royalties. This will pose serious challenge to budgetary execution during the second half of the year.

### **Budgetary Support**

10. In terms of external budgetary support, the World Bank grant of US\$25 million, which was programmed to be disbursed in 2013, was disbursed in the first half of 2014. This has resulted in an increase in total grants by Le 100 billion.

### **Total Expenditures and Net Lending**

11. Mr. Speaker, Honourable Members, there is a net increase in total expenditures and net lending of Le 120 billion (from Le 4.16 trillion or 20 percent of GDP to Le 4.28 trillion or 20.9 percent of GDP) compared to the original projection. The key changes to the assumptions underlying expenditures are as follows:

12. As a result of the continued borrowing restraint on the part of Government from the domestic securities market, which began in 2013, domestic interest rates continued to follow a downward trajectory. Therefore, Government securities falling due for redemption were financed at lower interest costs resulting in an estimated savings on interest payments of about Le 107 billion.

13. Mr. Speaker, Honourable Members, you may recall that in my presentation to Parliament in November 2013, I mentioned that Government will start paying salaries to Paramount Chiefs and Chieftom Functionaries in 2014. The implementation of this policy has resulted in an increase in the wage bill by Le 13.4 billion.

14. Projected expenditure on Goods and Services has increased by Le 16.2 billion, equivalent to 3.7 percent of GDP. This includes, final payment for the procurement of uniforms for military officers of Le 10 billion, operating costs for rural water facilities of Le 1 billion and Local Travelling across Government Ministries of Le 1 billion.

15. Transfers to various institutions have increased by Le 13.3 billion. This includes Le 7 billion to cater for the full effect of the implementation of tuition fees subsidies and subvention to tertiary institutions, Le 2.2 billion to the Ministry of Social Welfare, Gender and Children's Affairs for the campaign against teenage pregnancy, Le 2.0 billion to NEC for the conduct of Bye-Elections and Le 2.2 billion of Chinese Assistance through the Ministry of Foreign Affairs and International Cooperation for the refurbishment of our Chancery Building in New York.

### **The Fight Against Ebola Disease**

16. Mr. Speaker, Honourable Members, the fight against the *Ebola* disease has become a matter of national priority. To this end, Government has so far disbursed the sum of Le9.9 billion to the Ministry of Health and Sanitation, for public sensitization, supply of protective gears for health personnel, provision of disinfectants for schools and offices, training of additional health attendants and surveillance. In addition, Le 4.7 billion was released to Local Councils, under the Decentralized Service Delivery Programme (DSDP2) for health Services. Local Councils were subsequently advised to review their work programmes to incorporate activities aimed at combating the *Ebola* disease.

### **Capital expenditures**

17. Domestic Capital Expenditures have been revised upwards by Le 184.7 billion. This includes Le 65 billion for the procurement of Medical Equipment and Supplies; Le 20.2 billion part payment for the procurement of military vehicles; Le 8.7 billion for the procurement of CCTV cameras and other security devices for the Sierra Leone Police; and Le 6.06 billion to NaCSA for the final phase of the reparations programme for the war wounded.

18. Mr. Speaker, Honourable Members, Other expenditures include Le 36.8 billion for the clearance of FY2013 unpaid bills and Le 2.0 billion for contingency expenditures.

## **Issuance of a 2-Year Energy Bond**

19. Mr. Speaker, Honourable Members, you would agree with me that one of the most urgent challenges to the energy sector development is the rehabilitation of the Transmission and Distribution (T&D) network in the Western Area and restoration of rural electricity in all districts headquarter towns. To this end, Le60 billion of the additional domestic capital expenditure will go towards the procurement of Thermal Plants and T&D materials for all District Headquarter Towns.

20. Therefore, to minimize cost overruns and ensure timely payments to contractors, Government will issue a 2-year marketable medium term electricity bond of Le 60 billion in 2014 and reallocate current resource envelop up to Le 60 billion to give a total of Le 120 billion (about US \$30.1 million) to finance the expected advance payment to contractors.

21. In 2015 and 2016, Government will continue to issue the Urban-Rural Electricity Bond to pay for the residual balance of about Le 339.4 billion. The bond will be marketable, transferable and would be used as securitized collateral in business transactions and would also form part of the component for the computation of liquidity for primary market dealers. Both residents and non-residents, including Diaspora investors are eligible to participate in the bond auction process and it can also be traded in the market including the Sierra Leone Stock Exchange.

22. As part of Government's commitment to transparently monitor and track project financing, a special account will be opened at the Bank of Sierra Leone into which all proceeds from the sale of the Electricity Bond will be deposited for payment to contractors. I would wish this honourable House to note that the above bond issuance is made possible as a result of our prudent fiscal strategy.

## **Enhancing Public Transportation**

23. Mr. Speaker, Honourable Members, you will recall that I announced in the 2014 budget the procurement of 100 buses to ameliorate the transportation difficulties faced by commuters nationwide. Accordingly, Government will be providing support to the Sierra Leone Road Transport Corporation to facilitate the procurement of 100 buses, 6 mobile workshop units, supply of spares and equipment for vehicle repairs, and rehabilitation of the maintenance garage at Kissy Dock Yard. The total value of the contract is US\$12.3 million to be paid by Government over a period of three years under a Suppliers Credit Arrangement with Poly Technologies Limited of China. The cost will ultimately be passed on to the SLRTC, which is expected to pay off Government over a period of 5 years. The Buses will be deployed in Freetown, provincial and district headquarter towns and university access services.

## **Freetown City Council's (FCC) cross debt settlement with Commercial Banks**

24. Mr. Speaker, Government reached settlement arrangement with three commercial banks for the clearance of debt owed by the Freetown City Council. The huge liability exposure of the Council, amounting to Le10.7 billion, was a serious concern to Government and posed contingent liability and fiscal risk on the budget. The debt was accumulated by the Council prior to the enactment of the Public Debt Management Act 2011 which now prohibits commercial banks and other creditors from extending credit to local councils without the due diligence and prior approval by my Ministry. The cross settlement arrangement factored the huge liabilities owed by the Council to the Banks against property tax due from Government. Under this arrangement, the FCC will complete repayment of Le 7.2 billion (after the discount) to the banks by September 2015. This arrangement forestalls the dire consequences of the enforcements of court judgments already secured in favour of the Banks.

### **Overall Budget Deficit**

25. Mr. Speaker, Honourable Members, the overall budget deficit, including grants, will decline by Le 11.6 billion to Le 923 billion or 4.5 percent of GDP. Excluding grants, the deficit will widen marginally to Le 1.7 trillion or 8.1 percent of GDP.

### **Financing**

26. Total financing of the budget will increase by almost Le 16.0 billion to Le 960.5 billion or 4.7 percent of GDP. Foreign financing will increase marginally to Le 591.8 billion while domestic financing will increase by Le 60.0 billion mainly through the issuance of the 2-year Energy Treasury Bond.

27. I would like to inform you that the implementation of other strategies including all funds established under the 2014 Appropriation Act will be operational in the second half of 2014.

### **Conclusion**

28. Mr. Speaker, Honourable Members, the total Supplementary Budget Estimates above the original FY2014 budget submitted to this House for ratification is estimated at Le 266.4 billion.

29. The preparation of this supplementary budget has been necessitated by the emergence of various challenges and expenditure requirements as well as the need to complete scheduled activities under the Agenda for Prosperity. I therefore, commend the supplementary budget to this Noble House.

# **BUDGET PROFILE**