

OAU DRIVE, TOWER HILL, FREETOWN

PARLIAMENTARY DEBATES

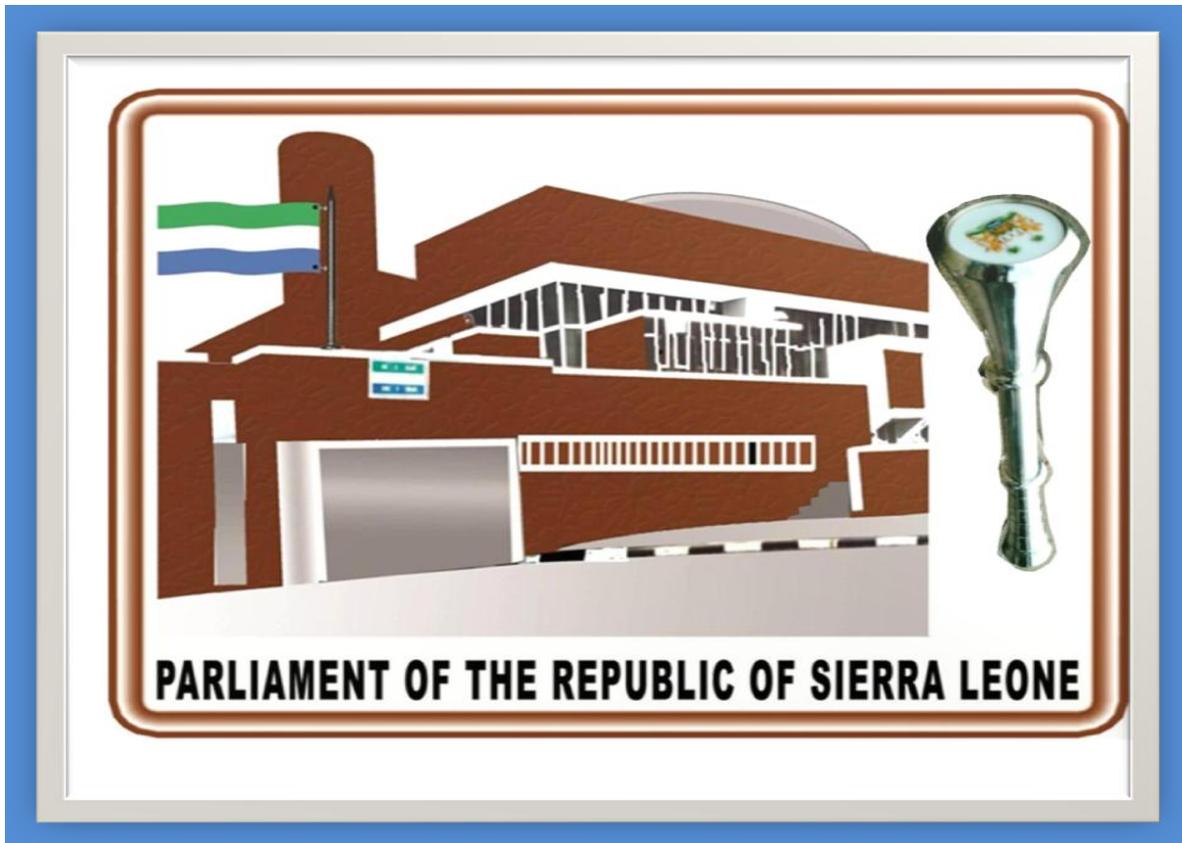
[HANSARD]

OFFICIAL HANSARD REPORT

FIRST SESSION - SECOND MEETING

FRIDAY, 2ND NOVEMBER, 2018

SESSION – 2018/2019



OAU DRIVE, TOWER HILL, FREETOWN

PARLIAMEN TARY DEBATES

[HANSARD]

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Second Meeting of the First Session of the Fifth Parliament
of the Second Republic of Sierra Leone.

Proceedings of the Sitting of the House
Held on Friday, 2nd November, 2018.

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THE MINISTER OF FINANCE



THE CHAMBER OF PARLIAMENT OF THE REPUBLIC OF SIERRA LEONE

Official Hansard Report of the Proceedings of the House

**FIFTH SESSION – FIRST MEETING
OF THE FOURTH PARLIAMENT
OF THE SECOND REPUBLIC**

Friday, 2nd November, 2018.

I. PRAYERS

[The Table Clerk, Mrs Bintu Weston, Read the Prayers]

[The House met at 10:37 a.m. in Parliament Building, Tower Hill, Freetown]

[The Speaker, Hon. Dr Chernoh Abass Bundu, in the Chair]

The House was called to Order

II. BILL

THE APPROPRIATION ACT, 2019

BEING AN ACT TO AUTHORISE EXPENDITURE FROM THE CONSOLIDATED FUND FOR THE SERVICES OF SIERRA LEONE FOR THE YEAR 2019 AND FOR OTHER RELATED MATTERS.

INTRODUCTION AND FIRST READING

THE MINISTER OF FINANCE

MR JACOB J. SAFFA [*Minister of Finance*]: Mr Speaker, Honourable Members of Parliament, I move that the Bill entitled "The Appropriation Act, 2019" being an Act to authorise expenditure from the Consolidated Revenue Fund for the services of Sierra Leone for the year 2019, be read the first time.

Mr Speaker, Honourable Members, I rise to move that the Bill entitled "The Appropriation Act, 2019" being an Act, to authorize expenditure from the Consolidated Revenue Fund for the services of Sierra Leone for the year 2019, be read the first time.

I. Introduction

Mr Speaker, Honourable Members, the Sierra Leone People's Party [SLPP] Government led by His Excellency, Retired Brigadier Dr Julius Maada Bio, inherited a challenging economic situation characterised by weak economic growth and high budget deficits underpinned by excessive expenditures amidst poor revenue performance. Government expenditures including the payment of salaries of Civil Servants were financed through Ways and Means Advances from the Bank of Sierra Leone [BSL] while payments for goods and services and infrastructure projects were financed largely by borrowing from Commercial Banks at high interest rates.

Mr Speaker, Honourable Members, the implementation of structural reforms also weakened in recent years, resulting in the deterioration of our ranking under in the World Bank Country Policy [WBCP] and Institutional Assessment [CPIA] from a medium to weak performer with adverse implications for the amount of concessional resources allocated to Sierra Leone.

Mr Speaker, Honourable Members, the situation was compounded by the inability of the previous Government to take corrective measures, which led to the derailment of the Extended Credit Facility [ECF] programme with the International Monetary Fund [IMF]. Consequently, most development partners withheld budget support to Sierra Leone since 2017, to date. These developments culminated in a sharp increase in domestic debt and related high debt service payments as well as the build-up of huge arrears

owed to suppliers and contractors. The exposure of these suppliers and contractors to overdraft and loan facilities from the Commercial Banks as well as loans to Politically Exposed Persons [PEP], contributed to the rise of non-performing loans in the domestic banking system.

Mr Speaker, Honourable Members, the delivery of basic services, especially in health and education deteriorated significantly with adverse implications for Human Capital Development [HCD]. The recently introduced World Bank Human Capital Index [HCI] ranked Sierra Leone 151 out of 157 countries while the 2018, United Nations Development Project [UNDP] Human Development Index ranked Sierra Leone 184 out of 189 countries. Preliminary results from the 2018 Sierra Leone Integrated Household Survey revealed that the incidence of poverty has increased from **52.9%** in 2011 to **57%** in 2018.

Mr Speaker, Honourable Members, upon assuming office, the Bio Administration has re-engaged the IMF indicating its desire to re-launch the economic programme to provide disciplined and efficient economic management of the State. As a demonstration of this commitment, His Excellency the President issued two Executive Orders aimed at restoring fiscal discipline with a view to averting an economic and social crisis. Accordingly, Government pursued fiscal consolidation focusing on enhancing domestic revenue mobilisation and expenditure rationalisation. Some of the revenue measures implemented so far include: the rationalisation and development of a policy on duty and tax waivers; implementation of the Treasury Single Account [TSA]; liberalisation of retail fuel pricing; upfront payment of excise duty on petroleum products by Oil Marketing Companies; adoption of the Economic Community for West Africa State [ECOWAS] Common External Tariff; review of the process of exporting timber and revising upwards the royalty on timber exports.

Mr Speaker, Honourable Members, on expenditure rationalisation, Cash Management was strengthened to aid budget execution and avoid the build-up of new arrears. Government implemented several measures to clean the wage bill as well as improve public procurement through the publication of price norms and limiting the use of the sole sourcing method of procurement reviewed the policy on overseas travelling. In addition, Government carried out a comprehensive stock take of arrears owed to suppliers and subjected the same to an audit to ascertain the authenticity of the claims. Furthermore, Government has completed the biometric verification of workers on Government payroll.

Mr Speaker, Honourable Members, these measures created the fiscal space that enabled Government to pay salaries of Civil Servants and staff of Sub-Vented Agencies as well as payment of monthly National Social Security and Insurance Trust [NASSIT]

contributions without resorting to domestic bank borrowing. In addition, the Government funded key components of the Free Quality School Education [FQSE] including the payment of fee subsidies and supply of exercise books. Government also provided resources to Ministries, Departments and Agencies [MDAs] for the delivery of public services without external budgetary support. Additionally, Government has commenced the financing of the completion of roads abandoned by the previous administration.

Mr Speaker, Honourable Members, as part of effort to normalise our relations with development partners and restore donor confidence, Government commenced the negotiations of a new programme with the IMF. I am pleased to report that discussions with the IMF have progressed satisfactorily. The preconditions for the negotiation of the new programme agreed during the IMF staff visit in June were fully implemented by Government. This paved the way for the negotiation of the new programme in September, 2018. The negotiation of the new programme was successful, culminating in agreeing to medium term Macro-Fiscal Framework, structural benchmarks and quantitative performance criteria for monitoring the new programme. The new programme will be submitted to the Executive Board of the IMF for approval this month. We are very much on course in the implementation of the prior actions for the approval of the new programme. This will trigger the disbursement of budget support by development partners.

Mr Speaker, Honourable Members, the 2019 Budget describes the policies and programmes to restore fiscal discipline, diversify the economy for sustained inclusive growth and job creation, promote human capital development while at the same time increase the role of the private sector and expand social protection services consistent with the Sustainable Development Goals [SDGs] and the new National Development Plan.

Mr Speaker, Honourable Members, before elaborating on these policies and programmes, please permit me, Mr Speaker to provide an update on global and regional economic developments and outlook as they have intricate implications for the management of the Sierra Leone Economy.

III. Global and Regional Economic Developments and Outlook

Mr Speaker, Honourable Members, global economic growth remains strong and steady although uneven, while economic activity is moderating in some large advanced economies, emerging markets and developing economies are growing broadly at the same pace. The global economy is projected to grow by **3.7%** in 2018 and 2019, but slightly less than projected in April, 2018 by the IMF.

Mr Speaker, Honourable Members, the downward revision reflects weak activity in some major advanced economies in early 2018 and the negative effects of the trade barriers implemented between April and September 2018. These resulted in a decline in world trade and industrial production. Other factors include a weaker outlook for some emerging market and developing economies; tighter financial conditions, geopolitical tensions, and higher oil prices. Oil prices rose above **\$70** per barrel reflecting lower production in Venezuela, Canada and Libya. Worthy of note is the decline in the price of iron ore by **12.4%** between April and October 2018 due to weak demand from China and the imposition of tariffs on one of the biggest aluminium industries. These developments are likely to have adverse implications for our growth, trade, revenue and foreign exchange earnings.

Mr Speaker, Honourable Members, global growth is projected to slow down in the medium term. The downside risks to global growth include: policy uncertainty due to trade tensions between the United State [US] and its trading partners; the expected tightening of global financial conditions, the unwinding of the US fiscal stimulus in 2020; the projected slow growth of the Chinese economy; rising debt levels in developing countries and currency volatility.

Mr Speaker, Honourable Members, growth in Sub-Saharan Africa [SSA] is projected to reach **3.1%** in 2018; up from **2.7%** in 2017. Growth is driven by fiscal consolidation in most countries, steady growth in the global economy, higher oil prices for oil exporters and better financing conditions during the first half of the year. Based on current conditions, growth is projected to rise to **4%** in the medium-term.

Mr Speaker, Honourable Members, the growth prospects of SSA face similar risks as the global economy including the trade tensions between the US and China and rising debt vulnerabilities. Additionally, domestic policy slippages including possible relaxation of on-going fiscal consolidation efforts could also reduce the growth prospects of SSA countries.

III. Domestic Macro-economic Developments in 2018

Mr Speaker, Honourable Members, real GDP growth for 2018 is revised downwards to **3.7%** compared to the earlier projection of **6.1%** following the cessation of iron ore mining in November 2017. The non-iron ore economy is, however, projected to grow by **5.7%**, underpinned by increased activities in Agriculture and Fisheries, recovery in diamond and other mining activities as well as improvements in the services sector.

Mr Speaker, Honourable Members, though inflation has declined from its peak of over **20%** in March, 2017 to **15.3%** by end March, 2018. It has increased gradually to **19.2%** in September, 2018 due to the depreciation of the exchange rate, liberalisation of retail fuel prices and periodic shocks to the availability of food items in the market.

Mr Speaker, in response to higher inflationary pressures during the year, the Bank of Sierra Leone [BSL] tightened Monetary Policy by gradually increasing the Monetary Policy rate to **16.5%** in July, 2018 from **14.5%** in December, 2017.

Mr Speaker, Honourable Members, the performance of the external sector improved during the first $\frac{1}{2}$ of 2018. Total value of exports for the period January to June 2018 is estimated at **\$515.8Mln**. The sharp increase in exports is accounted for primarily by the export of palm oil by SOCFIN Agribusiness Company; followed by timber and natural honey amounting to **\$308.2Mln**. Cocoa and Coffee exports more than doubled to **\$10mln**.

Mr Speaker, Honourable Members, However, relative to the corresponding period in 2017, Mineral exports declined by **16.8%** in the first $\frac{1}{2}$ of 2018 due to the drop in iron ore exports by **83.5%**, rutile by **10.4%** and ilmenite by **32.3%**. Diamond exports, on the other hand, increased by **50.4%**, bauxite by **29.5%** and gold by **100.2%**. The total import value for the period January, to June, 2018 declined by **9.9%** to **\$664.2Mln** compared to **\$727.4Mln** during the same period in 2017. There was a drop in all categories of imports, except fuel products. Food imports including rice dropped by **5.3%**. The value of rice imports dropped by **15.4%** to **\$91.6Mln** from **\$108.3Mln** for the first $\frac{1}{2}$ of this year due to the drop in the volume from 432.6 metric tons to 284.1 metric tons. Imports of intermediate goods dropped by **11.4%**; manufactured goods by **26.6%** and machinery by **34.8%**. Fuel imports, however, increased by **60.6%** to **\$139.8Mln** compared to **\$86.8Mln** due to both increase in price by **25.7%** and volume by **27.7%**. Mr Speaker, Honourable Members, the trade deficit decreased significantly to **\$148.7Mln** during the first $\frac{1}{2}$ of 2018 from **\$484.6Mln** during the same period in 2017.

Mr Speaker, Honourable Members, Gross Foreign Reserves of the Bank of Sierra Leone amounted to the equivalent of 3 months of import cover, as at end of September, 2018. The Leone was relatively stable during the first $\frac{1}{2}$ of 2018. However, the non-disbursement of budget support, loss of iron ore export proceeds, combined with the higher demand for foreign exchange by oil marketing companies and associated speculative behaviour put undue pressure on the exchange rate during Quarter 3, 2018. In response, the Bank of Sierra Leone intervened through a weekly auction of foreign exchange to smooth the excess volatility in the exchange rate.

Mr Speaker, Honourable Members, the stock of external debt increased from **\$1.51Bln** at end 2017 to **\$1.53Bln** in June, 2018. Multi-lateral debt is estimated at **\$1.16Bln**, accounting for **75.8%** of external debt. Bilateral debt amounted to **\$178.79Mln** while, commercial debt was **\$192.05Mln** in June, 2018. The stock of domestic debt increased from **Le4.52Tln** equivalent to **\$594.0Tln** at end 2017 to **Le5.14Tln** equivalent to

\$627.0MIn in June, 2018 due to increased borrowing during the first quarter of the year.

Budgetary Performance In 2018

Mr Speaker, Honourable Members, budget execution during 2018 has been challenging given the huge stock of unpaid Bills carried over from 2017, shortfalls in revenue collection and the expenditure overruns already incurred in Quarter 1 [January to March, 2018]. I am pleased to report that the fiscal consolidation efforts pursued since April, 2018 have resulted in improved revenue collection during the second and third Quarters of 2018. Total Revenue Collected during the first $\frac{1}{2}$ of the year amounted to **Le2.01TIn**. Total collection for Quarter 3 is estimated at **Le1.12TIn**, giving a total of **Le3.13TIn** for the first three quarters of the year. This is **30%** higher than the amount collected during the same period in 2017 for the year as a whole, domestic revenue is projected to increase to **Le4.45TIn**, equivalent to **14.3%** of Gross Domestic Product [GDP] compared to **12.6%** of GDP in 2017.

Mr Speaker, Honourable Members, the improved performance in revenues can be attributable to the implementation of key revenue enhancing measures contained in Executive Order No.1, including the rationalisation of duty and tax waivers; implementation of the Treasury Single Account [TSA]; the collection of arrears of debt services owed by State Owned Enterprises; and streamlining the process for the payment of import and excise duties for petroleum products. The enhanced enforcement of tax compliance, combined with the drive of the new leadership contributed to the improved revenue performance during the second and third quarters of the year.

Mr Speaker, Honourable Members, total expenditure and net lending amounted to **Le3.25TIn** for the period January to June, 2018. Total expenditures for Quarter 3 are estimated at **Le1.53TIn**, giving a total of **Le4.78TIn** for Quarters 1 to 3 of 2018. Recurrent expenditures amounted to **Le3.21TIn** and Domestic Capital, **Le426.9BIn**. Foreign-Financed Capital expenditures amounted to **Le1.06TIn**. Total expenditure and net lending is projected at **Le7.38TIn** [**23.8%** of GDP in 2018].

Mr Speaker, Honourable Members, the overall fiscal deficit, excluding grants is estimated at **Le1.18TIn** for the first $\frac{1}{2}$ of 2018. Including grants, the deficit is estimated at **Le975.9BIn**. The budget deficit is projected to reduce to **6.1%** of GDP in 2018 from **9.0%** in 2017. During the first $\frac{1}{2}$ of 2018, borrowing from the Commercial Banking System to finance the deficit, which occurred mostly in Quarter 1 amounted to **Le535BIn**. Government made a net repayment of **Le84.1BIn** to the BSL including a repayment of the Ways and Means Advances of **Le24.1BIn**. A repayment of **Le36BIn** was also made to the Non-Banking Sector.

Outlook of the Economy in the Medium-Term of 2019 to 2021

Mr Speaker, Honourable Members, the medium term prospects of the economy is bright. Total real GDP is projected to grow by **5.4%** in 2019 and 2020 and further by **5.1%** in 2021. Excluding iron ore, the economy is projected to expand by **5.1%** in 2019 and further by **4.9%** in 2020 and 2021. The positive and steady economic growth will come from the following sources:

- [i] The expected resumption of iron ore mining at the Marampa Mines in 2019 and at the Tonkolili Mines in 2021 as well as expected increased investments in Diamond, Rutile and Gold Mining Activities;
- [ii] Reforms and stronger foreign direct investment in the Agriculture, Fisheries, and Tourism Sectors;
- [iii] The resumption of domestic funded road construction activities;
- [iv] Scaling up and improving the efficiency of public investment in Roads, Energy and the Water Sectors;
- [v] Increasing investment in Human Capital Development; and
- [vi] Deep in the structural and business regulatory reforms to improve competitiveness and the ease of doing business.

Mr Speaker, Honourable Members, inflation is projected to gradually decline to **14%** in 2019 as the impact of the increase in fuel prices wanes and the exchange rate stabilises. Inflation will return to single digit in 2021 due to higher Agricultural Production; stability in the exchange rate and the tight stance on monetary policy by the BSL.

Mr Speaker, Honourable Members, the sustenance of fiscal consolidation efforts is expected to result in a reduction in the overall budget deficit, including grants, to an average of **3%** of GDP during 2019 to 2021 from **9.0%** in 2017 and **6.1%** in 2018. The current account deficit will reduce from **14.0%** of GDP in 2018 to **12.7%** in 2019 and narrows further to **10.9%** of GDP in 2020 as exports are expected to increase faster than imports in the medium term. The efforts will continue to maintain the public debt at the sustainable threshold of not more than **70%** of GDP in nominal terms and **55%** of GDP in Present Value Terms [PVT]. External debt will be kept at not more than **40%** of GDP in PVT. Gross foreign reserves will remain above the threshold of 3 months of import cover over the period as the policy of repatriating of export proceeds is enforced.

Risks to the Outlook of the Sierra Leone Economy

Mr Speaker, Honourable Members, while the prospects of the economy are promising, the following risks can constrain the achievement of the Macro-Economic objectives highlighted in the forgoing paragraphs:

- [i] A continuous slump in the price of iron ore, our main export commodity, could delay the resumption of iron ore mining, with negative implications for growth, Revenues, and Foreign Exchange earnings;
- [ii] A further rise in the international prices of petroleum products and its implications for domestic inflation, given the full pass-through into domestic pump prices;
- [iii] Delays in the disbursement of budget support and subsequent implications for financing priority programmes in the 2019 Budget could adversely affect the outlook of the economy.

Domestic Economic Policies to Mitigate the Risks and Achieve the Medium-Term Objectives

Mr Speaker, Honourable Members, to mitigate these risks and increase the prospects of achieving the Macro-Economic objectives set out in the preceding paragraphs, Government will pursue prudent fiscal and debt management policies, proactive Monetary Policy, Stability-Oriented Financial Sector Policy and Market-Based Exchange Rate Policy. This will be combined with reforms to improve the business climate and enhance productivity of Agriculture, Fisheries and Tourism Sectors.

Fiscal Policy

Mr Speaker, Honourable Members, the key priority of Fiscal Policy in 2019 is to pursue fiscal consolidation including enhanced domestic revenue mobilisation and improving the efficiency of expenditures. This will create the fiscal space for the implementation of the flagship Free Quality School Education Programme [FQSEP] and other social programmes to improve human capital development.

Domestic Revenue Mobilisation

Mr Speaker, Honourable Members, the Finance Bill, 2019 which, I also presented to this Noble House for enactment contains a number of measures to improve Domestic Revenue Collection. These include:

- [i] Broadening the scope and coverage of the Treasury Single Account Agencies [TSAs] to include the Sierra Leone Road Safety Authority [SLRSA], Sierra Leone Standards Bureau [SLSB], National Civil Aviation Authority [NCAA] and the Pharmacy Board of Sierra Leone [PBSL].
- [ii] Elimination of GST waivers as part of duty waivers granted to all beneficiaries except international organisations and domestic missions covered by international conventions;
- [iii] Elimination of GST waivers for the supply of materials for the construction of hotels;

- [iv] Elimination of duty and tax waivers/exemptions for contracts awarded by MDAs for the supply of goods, services and works;
- [v] Upward review of fees, licenses, rates, charges and levies imposed and collected by MDAs to reflect current economic trends;
- [vi] Compulsory preparation and registration of Lease/Rental Agreements with rental value above the Leone equivalent of **\$1,000** per annum to strengthen compliance of Rental Income Tax [RIT];
- [vii] Introducing the labelling of imported raw materials designated for Sierra Leone to avoid under-invoicing and smuggling;
- [viii] Strengthening the enforcement of existing tax legislations by amending various provisions in these Acts and the imposition of stiff penalties for defaulters.

Mr Speaker, Honourable Members, in addition to the above policy measures; the National Revenue Authority [NRA] will be implementing a number of administrative measures to boost revenue collection in 2019.

Automating Tax Collection Processes and Procedures

Mr Speaker, Honourable Members, the current tax administration processes and procedures are largely manual and the existing systems are not integrated. This provides opportunities for close contact between the tax officials and the tax paying public. It also does not allow an audit trail of business transactions for accurate assessment of tax liabilities. Therefore, with support from development partners, the NRA will automate tax processes and procedures in 2019 through the adoption of an Integrated Tax Administration System [ITAS] for Domestic Taxes, the Web-Based ASYCUDA World for Customs and Electronic Cash Registers for GST. The NRA will also implement an Automated Payment Gateway and Reconciliation system and integrate with all Banking and Government Information Management systems to ensure complete reconciliation of revenue in terms of tax assessed, collections, transfers and tax arrears.

Strengthening Tax Compliance

Mr Speaker, Honourable Members, with support from development partners, the NRA will continue to strengthen tax administration to improve tax compliance by:

- [i] Developing a comprehensive, accurate, up-to-date and reliable taxpayer database by cleaning and broadening the coverage of the Tax Identification Numbers [TIN] and GST registers and harmonising the two databases to improve compliance with business registration and tax payment;
- [ii] The NRA will expand the tax base through systematic use of third party information to detect unregistered taxpayers.
- [iii] Strengthening field audit of large taxpayers and conducting special Audits on the Mining and Telecommunications Sectors where technical knowledge is required for the

proper assessment of tax liabilities. The NRA will also continue to audit medium and large GST registered businesses that claim huge GST credits;

[iv] Pursuing the establishment of a tax court in 2019 to prosecute tax defaulters;

[v] Furthering the implementation of the Post Clearance Audit monitoring systems to improve compliance in customs declaration;

[vi] Improving voluntary compliance through an aggressive Nation-Wide Taxpayer Education and Sensitization Programme [NWTESP] and;

[vii] Developing a Taxpayer Assistance Strategy especially for Small and Medium-sized Enterprises [SMEs] to improve compliance.

Collection of Tax from Self-Employed Professionals

Mr Speaker, Honourable Members, there is ample evidence of weak tax compliance by self-employed professionals such as Lawyers, Doctors, Accountants and Engineers, who earn higher incomes than their counterparts employed in Private and Public Organisations. The situation is compounded by poor record keeping and fragmentation of transactions by these professionals. Morally, this is not correct and is therefore unacceptable. The NRA with assistance from development partners is building systems for the effective taxation of these professionals. Meanwhile, the NRA will continue to engage their respective professional associations and use moral session to get them to understand the need for them to meet their tax liabilities and contribute to the development of the country. While the engagement continues, the Commissioner-General, in the assessment of tax liabilities, is authorised to access all financial documents including bank accounts of the professionals and their businesses.

Review of Duty and Tax Waivers

Mr Speaker, Honourable Members, the UN estimates that Least developed countries need to raise their annual revenue collection to at least **20%** of GDP in order to meet their basic primary expenditures. Our records show that duty and GST waivers granted over the last couple of years surged from **Le59.6Bln** in 2004 to **Le570.3Bln** in 2017, with an increase of **53%** between 2014 and 2017. This significantly undermined domestic revenue mobilisation during the period. These are as a result of bad Agreements with wide-ranging waivers and exemptions signed by the previous Government and in many cases ratified by the then Parliament.

Mr Speaker, Honourable Members, to address this problem, the Ministry of Finance established a Technical Committee to review the existing processes and procedures for granting of duty and tax exemptions. I am pleased to report to this Noble House that the preliminary findings of the Committee present a strong case for the review of these exemptions. For instance, a company was granted duty waiver for importing building materials above the requirement of its project. At the same time the company was

given the privilege to sell the excess building materials at market prices. This creates unfair competition for similar businesses that pay taxes and duties. In addition, it contributes to loss of Government revenue. These findings provide enough evidence for Government to review these Agreements.

Implementation of the Extractive Industry Revenue Act, [EIRA] 2018

Mr Speaker, Honourable Members, the enactment of the Extractive Industries Revenue Act [EIRA] by this Noble House was a major achievement in ensuring that any new mining or petroleum Agreement is subjected to a consistent and transparent taxation regime established in law. This will lead to higher revenue in the long run by limiting the scope for case-by-case negotiations of Agreements thereby reducing the potential for corruption. Following the enactment of the EIRA, Government will embark on a comprehensive review of Mining Leases whose fiscal terms are due for review, with a view to effecting a transition of those projects into the provisions of the EIRA. The EIRA contains detailed provisions that stabilise fiscal terms for existing Mining Agreements until such time when they are due for review.

Expenditure Management and Control Measures

Mr Speaker, Honourable Members, as part of its fiscal consolidation drive, Government will implement measures to control expenditure and improve its efficiency. In particular, reforms will be implemented to curtail wasteful recurrent expenditures while re-orienting Government spending towards the development of human capital and infrastructure. To this end, Government will pursue reforms of the wage bill, improve public procurement, strengthen budget execution and improve the efficiency of spending on capital projects.

Wage Bill Reform Measures

Mr Speaker, Honourable Members, over the years, the Public Service Wage Bill has increased dramatically to about **55%** of domestic revenue, **45%** of recurrent expenditure and **7.1%** of GDP in 2017, rendering it fiscally unsustainable. This wage burden is largely due to the increase in the number of Sub-Vented Agencies, who's respective Acts; empower them to set pay and benefits without reference to the Public Service Commission [PSC], Human Resource Management Office [HRMO] and the Ministry of Finance.

Mr Speaker, Honourable Members, the Government wage Bill is also beset with several inefficiencies including manual processing of significant payroll payments, inequitable pay relativities, multiple pensions, disparity in salary levels among Sub-Vented

Agencies, dual employment and ghost workers. Government will implement a number of reforms to address these inefficiencies in 2019 as follows.

Establishment of a Wages and Salaries Commission

Mr Speaker, a key concern has been the disparities in pay and remuneration amongst the various Public Sector payroll categories; in some cases, similar posts in the Civil Service attract different pay scales. There is also wide disparity in pay among Sub-Vented Agencies. The situation is compounded by the fact that no single body is charged with the responsibility of developing, coordinating and pursuing reforms that are related to pay and other conditions of service of Public Sector employees.

Mr Speaker, Honourable Members, against this backdrop, Government will establish a Wages and Salaries Commission in 2019 charged with the responsibility to determine wages and compensation for all public officers. This in turn will support better planning, budgeting and execution of the Government wage Bill. Specifically, the Commission will seek to:

- [i] Harmonise the public sector pay system by addressing issues related to disparity in salaries and allowances amongst the various payroll categories;
- [ii] Address issues related to disparity in terms and conditions amongst Sub-vented Agencies;
- [iii] Ensure a fair and equitable wages and compensation system that is consistent and sustainable;
- [iv] Ensure that public sector pay fairly reflects the actual work performed by public officers;
- [v] Ensure that public sector pay is affordable and predictable; and
- [vi] In the medium term, to ensure that pay in the public sector reflects equity, merit and effort.

Mr Speaker, Honourable Members, Tertiary Educational Institutions including the Universities is provided block grants out of which they pay salaries of staff. These institutions have the responsibility to hire and dismiss workers as well as manage their payroll. There have been instances of delays in the payment of salaries of workers causing frequent strike actions. Effective January, 2019, wages and salaries of workers of these tertiary institutions will be integrated into the centralised and computerised payroll system of Government. These Institutions will continue to manage their Non-Salary operating budgets. This policy action will control the arbitrary hiring of workers in the tertiary institutions while ensuring that lecturers and other workers of tertiary educational institutions are paid regularly and on time.

Harmonisation of Multiple Pension Laws

Mr Speaker, Honourable members, another area of concern is the existence of multiple pensions laws, creating opportunities for certain categories of pensioners to receive several pension payments funded from the same Consolidated Revenue Fund. This situation exists because the NASSIT Act, 2001 did not give consideration to the existing pension related laws such as the State Salaries, Pensions, Gratuities and Other Benefits Act, 2001 for Members of Parliament and Ministers, and the Judges Conditions of Service Act, 1983. Therefore, it is possible for a worker to end up with two pensions when he/she retires.

Mr Speaker, Honourable Members, to address the issue of multiple pensions, Government will review all pension Laws with a view to harmonising them and ensuring that a pensioner is entitled to only one source of pension.

Biometric Verification of Public Sector Workers

Mr Speaker, Honourable Members, to address the other inefficiencies in the Government payroll including ghost workers and dual employment, the Ministry of Finance in collaboration with HRMO and the National Civil Registration Authority is undertaking a biometric verification of Public Sector workers including Sub-Vented Agencies, Semi-Autonomous Agencies, Local Councils, Parastatals and NASSIT. Government is exploring the possibility of matching biometric data collected from this exercise with the payroll managed by HRMO and the Accountant-General's Department. Government is also planning to undertake a biometric verification of workers in the Government Assisted Tertiary Educational Institutions.

Regular Cleaning the Payroll

Mr Speaker, Honourable Members, the Accountant-General's Department will continuously remove from the payroll all Public Sector workers who have reached the mandatory retirement age of 60 years, except those with special appointments by His Excellency the President or special needs as determined by the Head of Civil Service.

In addition, a personnel record would not be created for any new employee nor added to the payroll database without valid NASSIT and B-BAN numbers. This will assist in curtailing ghost workers and incidences of dual employment on the Public Sector payroll. The Ministry of Finance will also explore possibilities of matching biometric data recently collected for Civil Servants with NASSIT biometric records.

Reforming Public Procurement

Mr Speaker, Honourable Members, the procurement of goods, services and works by MDAs account for a significant proportion of Government spending. In some cases, the

procurement methods used do not assure value for money as low quality goods, services and works, which are often over-priced, are also not delivered on time.

Furthermore, to ensure transparency in the procurement process, Government will introduce an electronic procurement [e-procurement] process in 2019 which will facilitate the procurement of goods, services and works will be done through electronic means rather than the current manual procurement processes.

Mr Speaker, Honourable Members, the current threshold amounts, which determine the choice of procurement method, contained in the First Schedule to the Public Procurement Act, 2016 were stipulated in 2004. It is clear that since then, the Leone has depreciated against major international currencies rendering the thresholds redundant. The new thresholds prescribed in the 2019 Finance Act, reflect current prices.

Mr Speaker, Honourable Members, the procurement of Air-Tickets at inflated prices for Government officers on official travel is a significant source of leakage of Government funds. Significant variations in prices of air tickets have been discovered on many occasions for the same travel route depending on the travel agency from which the tickets are procured. In some instances, the same travel agency issues tickets at varying prices to the same set of officers traveling to the same destination on the same aircraft and funded from the same Government account.

Mr Speaker, Honourable Members, Government made considerable savings on overseas travels including costs of air tickets since Executive Order 2 came into effect in April, 2018. Between April and October, 2018, Government saved the sum of **Le2.02Bln** on overseas travels which created fiscal space to finance other activities. To improve on these savings, MDAs and State Owned Enterprises will be required to purchase air tickets through a competitive process, the details of which will be announced in Quarter 1, 2019. The procurement and maintenance of official vehicles is also another area of concern in public expenditure management. A huge amount of public resources is expended on the purchase, repairs, and maintenance of vehicles and fuel consumption. The development of the Fleet Management Policy to address these issues is at an advanced stage.

Mr Speaker, Honourable Members, In line with the Presidential Address to this House in May this year, Government through the Ministry of Transport and Civil Aviation in collaboration with the Ministry of Finance will submit to Cabinet a Fleet Management Policy in the first quarter of 2019. A vehicle pool and tracking system will also be introduced with a view to reducing public expenditure on the purchase of Government vehicles, fuel consumption, repairs and maintenance.

Avoiding the Accumulation of New Arrears

Mr Speaker, Honourable Members, on assumption of leadership, the Bio administration inherited over **Le10.7Tln [\$1.4Bln]** of arrears. The accumulation of arrears to suppliers and contractors undermines the credibility of the budget and the entire Government as a whole. It also threatens the stability of the financial system, as most of the suppliers are debtors to the banking system, thereby contributing to the incidence of high non-performing loans. Going forward, while putting in place measures to clear the huge stock of arrears inherited, Government will implement measures to avoid the accumulation of new arrears. To this end, the Ministry of Finance will strengthen expenditure commitment control systems through the roll out of automated Public Expenditure Tracking's [PETs] Forms to MDAs. The Integrated Financial Management Information System [IFMIS] will also be upgraded to enhance the commitment control system, which will ensure that MDAs' commitments are within their budgetary allocations.

Mr Speaker, Honourable Members, to avoid the accumulation of arrears for projects funded from the domestic capital budget, all contracts will now be negotiated in our local currency with a provision for currency depreciation. Henceforth, domestic funded projects would be subjected to thorough appraisals to ascertain their economic and financial viability, prior to inclusion in the Public Investment Programme [PIP]. For Donor-Funded Projects, appraisals will be done in line with the provisions of the PFM Act, 2016, the Public Debt Act, 2011 and the National Public Investment Policy [NPIP]. In addition, adequate budgetary provisions will be made for projects that require Government counterpart funding.

Control of Extra-Budgetary Expenditures

Mr Speaker, over the last ten years, MDAs have been requesting payments for activities that were not in their budgets nor in their procurement plans, thereby creating extra budgetary expenditures, which has tendency to crowd out other important activities. In 2019 and beyond, the Ministry of Finance will minimise extra-budgetary spending by adhering strictly to the provisions in the PFM Act, 2016 relating to the control of extra-budgetary expenditures. In tandem, the Ministry of Finance will improve the budget planning process by strengthening the capacity of MDAs in Strategic Planning, Costing, Procurement and Financial Management.

Managing Capital Expenditures

Mr Speaker, Honourable Members, while there had been some efforts by Government to increase spending on capital projects using domestic resources in recent years to reduce the infrastructure deficit, meeting the desired objectives has been affected by a series of challenges. These include, but not limited to the following:

- [i] Absence or weak feasibility studies especially for road projects;
- [ii] Weak project design and appraisal;
- [iii] Inadequate monitoring; and
- [iv] Introducing additional projects during budget the year.

Mr Speaker, Honourable Members, to improve the efficiency of public investment and the rationalisation of capital expenditure, Government will adopt the NPIP and the National Public Investment Manual [NPLM], consistent with the Public Financial Management Act, 2016. This will improve effective planning and efficient execution of public investment activities.

Mr Speaker, Honourable Members, to strengthen public investment management, Government with technical assistance from the IMF, will carry out a Public Investment Management Assessment [PIMA]. The PIMA measures the efficiency and sufficiency of public investment management practices. In addition, the budget will also support the strengthening of planning Units in Sector Ministries through recruitment, training and deployment of planning officers to MDAs.

Building the Capacity for Fiduciary Management in MDAs

Mr Speaker, Honourable Members, in order to improve on expenditure planning and fiduciary controls, Government will develop the capacity of MDAs in accounting, budgeting, procurement and internal audit. Whilst the Accounting Officers, Budget Officers, Procurement Officers and Internal Audit Personnel will report to their respective MDAs, the Ministry of Finance [their parent Ministry] will provide direct support in terms of training and logistics to enable them to independently discharge their duties. As part of the performance assessment, each fiduciary officer would be required to submit regular quarterly reports to the Ministry of Finance on activities in their respective MDAs.

Strategies to Improve on the Implementation of Audit Recommendations

Mr Speaker, Honourable Members, over the years Government has been grappling with the implementation of audit recommendations. However, there appears to be some improvement with more systematic procedures in place. The following strategies have been identified to enhance the implementation of audit recommendations:

- [i] Reconstitution of Audit Committees in MDAs and the establishment of a special Government Audit Committee in the Ministry of Finance, comprising professionals outside the civil service to follow up on unresolved issues from audit committees of MDAs;
- [ii] Incorporating the implementation of audit recommendations in the performance contracts of Vote Controllers; and

[iii] Instituting punitive measures against Vote Controllers who fail to implement audit recommendations.

Monitoring and Evaluation

Mr Speaker, Honourable Members, one major challenge of capital budget management is weak monitoring and evaluation. Although there are monitoring units in the various MDAs, there is apparently no national monitoring system that links with the various MDAs and Project Units. More importantly, the disbursements on capital projects are not triggered by monitoring reports. To address this anomaly, Government has established a National Monitoring and Evaluation Department [NAME] in the Ministry of Planning and Economic Development.

Mr Speaker, Honourable Members, NAMED's overall objective is to create an effective national institutional framework to monitor and evaluate Government and donor funded projects as well the National Development Plan. Specifically, NAMED will:

- [i] Lead the monitoring and evaluation of all public sectors programmes and projects including donor funded projects;
- [ii] Design and implement a National Monitoring System that links the monitoring units in MDAs, Local Councils and donor funded project units on one hand with NAMED, the Ministry of Finance, Parliament and the Office of the President, on the other;
- [iii] Develop monitoring guidelines and manuals for use by all MDAs and Local Councils and support their capacity building needs to effectively undertake monitoring;
- [iv] Track and record progress of implementation of all projects as well as the National Development Plan using modern and appropriate technology;
- [v] Lead the conduct of independent baseline studies, Mid-Term and final evaluation of all projects;
- [vi] Conduct special studies on various aspects of public sector projects; and
- [vii] to Establish and maintain a database on all completed and on-going projects.

Mr Speaker, Honourable Members, to operationalize NAMED, Government is providing Financial Support in the 2019 budget for the recruitment of key staff with skills mix in various fields including engineering, agriculture as well as economic and financial analysis.

Parliamentary Oversight

Mr Speaker, Honourable Members, Parliamentary Oversight of Public Sector Projects has also been weak largely as a result of inadequate resources required to monitor various project sites. Honourable Members, have relied on support from MDAs for basic logistics like vehicles, fuel and allowances for monitoring the activities of the same MDAs. To enable Members to undertake independent and effective oversight of Public Sector Projects, provision has been made for the procurement of vehicles, supply of fuel

and payment of DSAs to the relevant Committees of Parliament. The reports from Parliamentary Oversight visits will not only inform parliamentary actions, but will feed into the national monitoring system. Parliamentary Committees will also be supported to undertake study tours for peer learning in other countries where parliamentary oversight has been known to be effective.

Public Expenditure Review and Tracking

Mr Speaker, Honourable Members, improving allocative efficiency is important in Economic Management. Government will conduct Public Expenditure Review [PER] of critical sectors to determine trends and patterns in intra-sectorial allocation. The PER will also include investment case studies with a view to ascertaining the most cost effective and high impact intervention areas. This process will be institutionalised in Government and will be conducted regularly to inform budget discussions and allocations.

Mr Speaker, Honourable Members, Government will also re-commence the conduct of the PET Survey that was discontinued by the previous administration. Consistent with our determination to ensure accountability, Government will re-introduce the PET process to determine whether resources disbursed reached the intended beneficiaries and were used for the intended purposes. This will also guide budget allocations and monitoring.

Monetary and Exchange Rate Policies

Mr Speaker, Honourable Members, monetary and exchange rate policy will focus on price stability. The Bank of Sierra Leone [BSL] will implement monetary policy with the goal of reducing inflation to single digit in the medium-term. The BSL will continue to primarily use its monetary policy rate to signal the monetary policy stance.

Mr Speaker, Honourable Members, to enhance the effectiveness of monetary policy, the BSL will seek to further develop and deepen the interbank market to enable market participants to effectively respond to monetary policy signals; and improve monetary policy communication to key stakeholders and the public at large. Furthermore, the Bank will focus on the development of appropriate monetary instruments and tools to make liquidity management more effective.

Mr Speaker, Honourable Members, the exchange rate will continue to be market determined to allow the economy to adjust to external shocks and maintain export competitiveness. The BSL's interventions in the foreign exchange market will be limited to smoothening excessive volatility in the exchange rate. The BSL in collaboration with the Ministry of Finance is developing a strategy for building foreign exchange reserves. In this regard, Government will enforce the following measures in 2019:

[i] Government will require all exporters including large mining companies, licensed diamond and cash crop exporters to repatriate their export proceeds through the banking system and sell at least **15%** of their export proceeds to the BSL.

[ii] Government will review gold exporter's agreements to require them to sell **5-10%** of their export value to BSL at the prevailing official exchange rate.

[iii] Government will minimise contractual payments in foreign currency thereby contributing to conserving foreign exchange and help to build up the foreign reserves.

[iv] Government will explore the possibility of converting the tax incentives given to investors in the mining and other sectors into equity, which can help build the external reserves of the country, as is the case in other jurisdictions in the sub region.

[v] Government will also ensure that all project loans and grants are disbursed through the Central Bank, given that repayment of these loans is done using the Central Bank's foreign reserves. This will help the building up of foreign reserves to meet such loan repayment obligations.

[vi] All disbursements to Non-Governmental Organisations [NGOs] will be through the local banking system. Off shore foreign exchange transactions by NGOs will be prohibited.

Mr Speaker, Honourable Members, the BSL is the public institution tasked with ensuring the soundness of the banking system, and safeguarding the country's foreign exchange reserves. In this context, the transparency in its operations, accountability of its activities and the general governance of the Bank are critical in ensuring its integrity and public trust. To this end, Government will continue to strengthen the BSL's governance practices.

Mr Speaker, in recent years, foreign exchange transactions between the BSL and MDAs have not been transparent and several cases of fraudulent transactions have been reported. This culminated in the appointment of KPMG Sierra Leone to carry out an audit of these transactions. The Safeguards Assessment carried out by the IMF also expressed similar concerns. In an effort to safeguard the foreign exchange reserves of the country, Government with support from development partners and through a competitive procurement process, is appointing an international firm with significant proven experience in conducting forensic investigations to audit the foreign exchange transactions between the BSL and MDAs that took place during July, 2015 to June, 2018.

Financial Sector Policy

Mr Speaker, Honourable Members, the key objectives of Government's Financial Sector Policy implemented by the BSL is twofold:

- [i] To safeguard financial stability through the strengthening of the regulatory and supervisory framework, and appropriately assess risks within the banking system and other financial institutions. The BSL will ensure the safety and soundness of banks while exerting stronger oversight over their cross-border relationships in close collaboration with banking supervisors in the Sub-Region; and
- [ii] To deep in financial intermediation and financial inclusion to foster higher, broader-based, and more inclusive growth.

Mr Speaker, Honourable Members, to ensure financial stability, the Bank of Sierra Leone recently established a new Financial System Stability Department with the responsibility to identify, assess and communicate financial vulnerabilities and risks in the banking system. With technical support from the IMF, the Bank will develop a well-articulated financial stability regime to properly monitor the broad financial system. The Bank of Sierra Leone is currently implementing risk-based banking supervision with a focus on the banks that pose the greatest risks.

Mr Speaker, the review of the legal framework underpinning the BSL's regulatory functions has been completed. The final draft of the amendments to the BSL Act, and the Banking Act, 2011 have been approved by Cabinet and have been submitted to this Noble House for enactment. The revised Acts, will strengthen the independence of the Bank in discharging its responsibilities without compromising its accountability to the Government and the Legislature. Government also plans to review the Other Financial

Institutions Act, [2001] and the Prudential Guidelines for Banks.

Mr Speaker, Honourable Members, even though Financial Services had expanded considerably in recent years, the financial system remains shallow. To deepen financial intermediation, the BSL is in the process of procuring a National Switch for banks operating in Sierra Leone. The installation of the National Switch will improve payment systems, promote financial inclusion and facilitate revenue collection.

Mr Speaker, Honourable Members, Digital Financial Services [DFS], have been the key game changer in expanding the scale, scope and reach of Financial Services in Sierra Leone. With 14 providers licensed by the Bank of Sierra Leone and an average of over **5.6Mln** transactions per month, Digital Financial Service is well positioned to close the remaining gaps in financial inclusion by offering affordable and convenient ways for individuals, households and businesses to save, make payments, access credit, and obtain insurance.

Public Debt Management Policy

Mr Speaker, Honourable Members, the international financial community has raised serious concerns over the rising debt vulnerabilities in low income Sub-Saharan African countries after the significant debt relief granted to these countries under the Heavily Indebted Poor Countries [HIPC] and the Multilateral Debt Relief [MDR] Initiatives. As at end 2017, 15 Sub-Saharan African countries have been classified as high risk of debt distress. While Sierra Leone is not yet among those countries at the time of the analysis, the 2018 Debt Sustainability Analysis points towards this direction.

Mr Speaker, Honourable Members, to avoid joining the league of countries classified as high risk of debt distress, Government is committed to prudent and proactive debt management within its overall economic policy management framework. In this regard, the aim of public debt management is to ensure debt sustainability through the development and implementation of a Medium Term Debt Management Strategy [MTDMS]. Government will continue to prioritise concessional loans and grants to support our infrastructural development projects and avoid contracting any debt that worsens the economy's risk of debt distress. To this end, Government will subject the financing of large infrastructural projects to financial and economic viability studies and assess their impact on debt sustainability.

Mr Speaker, Honourable Members, Government, however, recognises the need for investment in infrastructure to improve the prospects for growth. In this respect, Government will adopt a different financing model for investment in huge infrastructure projects. To reduce contingent liabilities, Government will also explore off balance sheet financing models that are non-debt creating including Public Private Partnerships [PPPs] and Build Operate and Transfer [BOT] models.

Mr Speaker, Honourable Members, given the growing availability of private capital for Financing Public Sector Projects, it is imperative that we are prepared to access such capital on favourable terms. Thus, Government with support from its development partners will strengthen the capacity of relevant MDAs to conduct technical, economic and financial analysis of projects as well as negotiate and manage contracts. This will reduce the risk of liabilities to Government and its far-reaching debt implications.

Mr Speaker, Honourable Members, Government will carefully monitor the build-up in domestic debt to ensure that it is within sustainable and affordable limits. Government will also issue medium to long-term bonds to finance infrastructure projects within available programme borrowing limits, to avoid the mismatch in utilising short-term borrowing. This will lower refinancing and rollover risks inherent in the domestic debt portfolio.

Mr Speaker, Honourable Members, special attention will be paid to the clearance of verified arrears owed to suppliers and contractors carried over from the previous administration. The current stock of arrears is being audited to ascertain the accuracy and validity of the claims. The audit process will also determine whether the transactions were conducted within the law. Once the audit is completed, Government will pay the verified arrears in the short to medium term.

Mr Speaker, Honourable Members, the 2019 Budget makes explicit provision for the clearance of the verified arrears. Any excess revenue collected over and above the target for 2019 will also be used to pay the arrears. To ensure prompt payment, Government will negotiate and apply discounts on verified claims based on certain criteria and will make upfront payments to the creditors that are willing to participate. Government is also considering the securitisation of arrears especially large claims relating to roads and energy projects. The holders of these securities will use them as guarantees to access finance elsewhere while allowing Government to delay payment until such a time when the fiscal situation improves. Government is seeking technical assistance from the IMF and the World Bank for the management of domestic debt including arrears.

Fiscal Oversight of State-Owned Enterprises [SOEs]

Mr Speaker, Honourable members, as highlighted in the Fiscal Strategy Statement, the operations of State Owned Enterprises [SOEs] and inherent contingent liabilities constitute a major fiscal risk that could derail the implementation of the budget. The current high level of subsidies to inefficient State Owned Enterprises can also lead to increases in Government borrowing, thereby crowding out the private sector. For example, in the 2018 Supplementary Budget, an amount of **Le154Bln** was allocated to the Ministry of Energy as direct subsidy to support EDSA's operations. The 2019 Budget has also made a budgetary provision of **Le100Bln** for subsidies to EDSA and EGTC.

Mr Speaker, Honourable Members, in line with the Public Financial Management [PFM] Act, 2016, Government will ensure transparency in the financial management of public enterprises.

Mr Speaker, Honourable Members, for the first time ever, the budgets of SOEs has been brought into the national budget process. A number of SOEs presented their 2019 budgets during the just concluded budget policy hearings and discussions.

Mr Speaker, looking ahead, the accountability, transparency and oversight of SOEs, will be underpinned by a comprehensive framework. As a way of mitigating fiscal risks emanating from SOEs, Government would continue to undertake the following actions:

- [i] Publication of the annual financial statements of SOEs;
- [ii] Publication of an annual survey report on the stock of arrears in SOEs;

- [iii] Ensure that all SOEs are subject to an annual independent external audit based on international financial reporting standards; and
- [iv] Ensure that all SOEs disclose material non-financial information, focusing on areas of significant concern for Government and the general public.

Mr Speaker, Honourable Members, to ensure fiscal oversight over SOEs, the Ministry of Finance has established a Fiscal Risk Management and Fiduciary Oversight of SOE Division. As its primary mandate, the Division provides fiduciary oversight for the SOEs and manages the country's fiscal risks. This involves critical analysis of the operations and performance of SOEs, focusing on improving the operational efficiency of these institutions with the view of minimising their recourse to the National Budget, whilst maximising returns to shareholders. The National Commission for Privatisation and respective Ministries will continue to supervise the general operations of the SOEs.

Improving the Business Environment

Mr Speaker, Honourable Members, the Private Sector has an instrumental role to play as the engine of economic growth and poverty reduction. However, Private Investment remains low in our country. It is constrained by a cumbersome regulatory environment, administrative barriers, unstable macroeconomic environment, and weak infrastructure, limited access to finance, unskilled labour and widespread corruption. Accordingly, the 2019 World Bank Doing Business Report ranked Sierra Leone 163 out of 190 countries and the Global Competitiveness Report 2018 also ranked Sierra Leone 134 out of 140 countries.

Mr Speaker, Honourable Members, Government under the New Direction is committed to creating a favourable business environment and reverse the deteriorating trend in the country's ranking in these reports. Specifically, in addition to restoring Macro-Economic stability as discussed earlier in this Statement, Government will implement the following reforms in 2019:

- [i] Continue to simplify the procedures for business registration; improve the procedures for issuing construction permits; and strengthen the commercial court to resolve insolvency;
- [ii] Further improve customs' processes through the establishment of a Single Electronic Customs Clearance Window;
- [iii] Pursue financial sector reforms including the enactment of the outstanding draft legislations such as the Securities and Collective Investment Bills and amendments to the Borrowers and Lenders Act, 2014 to improve access to credit and protect investors;
- [iv] Expand financial inclusion by leveraging technology especially the high mobile phone coverage, which facilitates digital financial services to bring the unbanked into the formal financial system;

[v] Scale-up investments in Roads, Electricity, Information Communication Technology [ICT] and Water Supply, which are critical inputs for investment;

[vi] Increase investments in human capital development including tertiary, vocational, and technical education to improve the availability of skills required in the job market;

[vii] Implement the PFM Act, 2016 and the Public Financial Management Regulations Act, 2018, to ensure transparency and accountability in the management of public resources, thereby reducing opportunities for corrupt practices.

Mr Speaker, Honourable Members, in addition to these constraints, the private sector operatives have raised concerns on additional issues that are adversely affecting their operations. These include, amongst others, the current ban on holding workshops in hotels as well as the high personal income tax rate.

Holding Workshops in Hotels

Mr Speaker, Honourable Members, Government is the biggest buyer of goods and services in the economy and hence its activities can crowd in or crowd out private investments. The attention of Government has been drawn to the adverse impact the ban on holding workshops in hotels is having on the operational and financial sustainability of hotels and their ability to hire and retain workers as well as pay taxes. This is especially true for hotels owned by Sierra Leoneans who rely mostly on Government activities. Government will therefore review this suspension in the first quarter of 2019.

Review of the Top Marginal Personal Income Tax Rate

Mr Speaker, Honourable Members, it has also been observed that the highest marginal personal income tax rate of **35%** applied to salaries of workers in the Public and Private Sectors does not only increase the operating cost of businesses, but encourages them to evade and avoid taxes by shifting a greater part of the income of their employees to allowances and other benefits that are either taxed at lower rates or not taxed at all. This reduces the taxable income thereby undermining both domestic revenue collection efforts and future benefits of their employees.

Mr Speaker, Honourable Members, Furthermore, this high tax rate reduces the disposable income of workers, thereby constraining their ability to either spend or save. Their inability to spend reduces the taxes paid on consumption while the inability to save reduces the amount of savings available in the economy for investment purposes. Mr Speaker, Honourable Members, to break this vicious cycle of low disposable income, low spending, low savings and low revenues, Government is hereby reducing the top marginal personal income tax rate from **35%** to **30%** with effect from January, 2019. This is also consistent with taxation principles of ensuring that the highest marginal personal income tax rate is equal to the corporate tax rate to avoid the shifting of taxes

from corporate income to personal income or vice versa. The expected loss in revenue by this policy measure will be offset by improved tax compliance as well as the projected increase in GST collection from the increased consumption of goods and services. The proposed discontinuation of GST waivers as per Finance Act, 2019, which is expected to generate about **Le100Bln** of revenue will also offset the anticipated revenue loss.

The 2019 Budget Objectives of the 2019 Budget

Mr Speaker, Honourable Members, against the backdrop of the economic and social challenges facing the country, the need to pursue policies that can facilitate the attainment of sustainable and inclusive growth for job creation and poverty reduction cannot be overemphasised. This Budget is one of a series of policy documents under the New Direction that can deliver the aspirations of our people. The key objectives of the 2019 Government Budget are as follows:

- [i] Pursue fiscal consolidation to ensure fiscal and debt sustainability;
- [ii] Accelerate investments in human capital in order to improve the wellbeing of current and future generations;
- [iii] Improve the business environment through scaling up investments in infrastructure and the implementation of business friendly reforms to achieve economic diversification and create jobs;
- [iv] Expand social protection programmes to mitigate the impact of the liberalisation of fuel prices to ensure inclusive growth and poverty reduction; and
- [v] Address vulnerabilities relating to natural disasters, climate change and environmental damage to strengthen the resilience of the economy.

Total Resource Envelope for Fiscal Year 2019

Mr Speaker, Honourable Members, the projected total budgetary resources for the 2019 Financial Year is **Le7.03Tln**. This represents resources that will be processed through the Consolidated Revenue Fund, which comprises domestic revenue of **Le5.66Tln**, budget support of **Le409Bln**, and domestic financing of **Le958.3Bln**. However, the Fiscal Year 2019 Appropriation Bill which I presented to this Noble House for Approval is a total of **Le6.94Tln** as it excludes repayment of arrears of **Le90.0Bln** which had been approved in previous year's Appropriation Acts.

Mr Speaker, Honourable Members, other resources not processed through the Consolidated Revenue Fund includes project loans and project grants projected at **Le1.24Tln**. These are resources disbursed by development partners through Commercial Banks and in some cases the Bank of Sierra Leone for the financing of projects in various sectors. These funds are managed by Project Implementation Units in MDAs.

Mr Speaker, Honourable Members, on the basis of the projected expansion in economic activity and the revenue mobilisation measures highlighted earlier in this Statement, domestic revenue is projected to increase to **Le5.66Tln** [**15.4%** of GDP in 2019] from the estimated amount of **Le4.46Tln** [**14.3%** of GDP in 2018]. Income Taxes will contribute **Le2.01Tln**; Goods and Services Tax [GST], **Le1.09Tln**; Customs and Excise Duties, **Le1.45Tln**, Royalty and Licenses on minerals and petroleum, **Le228.8Bln**; Royalties and Licenses on fisheries, **Le105Bln**; Parastatals dividends, **Le155.1Bln**; revenues from other Government departments including TSA agencies and royalty on timber exports will amount to **491.1Bln**. Road User Charges and Vehicle licenses will contribute **Le125.4Bln** to domestic revenue in 2019.

Expenditure Priorities and Allocations

Mr Speaker, Honourable Members, total expenditure and net lending for 2019 will amount to **Le7.68Tln** [**20.8%** of GDP] compared to the estimated **Le7.38Tln** [**23.8%** of GDP for 2018]. Of this, total recurrent expenditure will amount to **Le5.53Tln** [**15.0%** of GDP] and capital expenditure and net lending to **Le2.10Tln** [**5.8%** of GDP]. Foreign-financed capital expenditures are projected at **Le1.24Tln** [**3.4%** of GDP] and domestic funded capital expenditures at **Le901.2Bln** [**2.4%** of GDP].

Wages and Salaries

Mr Speaker, Honourable Members, the Government wage Bill is projected to increase to **Le2.40Tln** from **Le 2.07Tln** in 2017. The increase of **Le400Bln** will cater for the recruitment of **5,000** Teachers, **3,000** Health Sector Workers and **1,000** Police Officers in 2019. Of the total wage Bill, **Le154.7Bln** is allocated for pensions, gratuities and other allowances. Contributions to the Social Security Fund for Government workers will amount to **Le164.2Bln**.

Mr Speaker, Honourable Members, for far too long, our retirees have been suffering owing to the erosion of the real value of their pension payments. A significant number of pensioners receive less than **Le20, 000** per month as pension payment, which automatically classifies them as extremely poor people. This implicitly means pensioners cannot even meet their basic food needs let alone other necessities. As part of efforts to improve the living conditions of our retirees, Government is increasing the minimum pension to **Le250, 000** per month consistent with the NASSIT Act, 2002 [which is **50%** of the minimum wage] effective January, 2019. This is expected to increase whenever the minimum wages increased.

Mr Speaker, Honourable Members, the salary of Civil Servants, Teachers, Police and the Military In Grades 1 to 6 is also increased by **10%** and those in Grades 7 to 14 by **5%**,

effective January, 2019. This is in addition to the **10%** increase announced in the 2018 Revised Budget in July, 2018.

Debt Service Payments

Mr Speaker, Honourable Members, total interest payments will amount to **Le1.03Tln** in 2019. Of this, interest payments on domestic debt will amount to **Le936.7Bln**, reflecting the high stock of domestic debt accumulated over the years. Interest on external debt will amount to **Le97.8Bln**. The amortisation of external debt is projected to amount to **Le466Bln** in 2019.

Other Recurrent, Domestic and Foreign Capital Expenditures

Mr Speaker, Honourable Members, the budgetary allocations for 2019 is aligned with the priorities of Government as articulated in the draft new National Development Plan [2019-2023] and the New Direction Manifesto. At the top of Government priorities is the promotion of Human Capital Development [HCD], which includes the Free Quality School Education, the provision of basic health care and social protection services. This is followed by the need to diversify the economy; promote good governance and infrastructure development.

Human Capital Development

Mr Speaker, Honourable Members, the top priority of the SLPP Government under the New Direction is to promote HCD. This is in recognition of the fact many of our children cannot read, write or do basic arithmetic. Recent World Bank studies show that **87%** of pupils in second grade in Sierra Leone were unable to read any part of a short passage given to them during the Early Grade Reading Assessment. This compares unfavourably to **40%** in the Gambia, **30%** in Liberia and **53%** in Uganda. Furthermore, by the end of third grade, more than **50%** of children could even not write their names. Furthermore, infant and maternal mortality remain high in Sierra Leone. Hundreds of mothers, new-borns and children die every year and a significant proportion of our children are stunted due to malnutrition and other infections. The quality of education has deteriorated over the years.

Mr Speaker, Honourable Members, therefore, investing in our people now, in their education, health and nutrition, maximises the returns on those investments in human capital for future generations.

Mr Speaker, Honourable Members, I am pleased to report that in recognition of Government's efforts in promoting Free Quality School Education, Sierra Leone has been selected as one of the Early Adopted Countries under the World Bank Global Human Capital Development Project. The Human Capital Development Project is about accelerating investments in people-through education, quality health care, nutrition,

jobs and skills to end poverty drive economic growth and create more inclusive societies.

Education

Mr Speaker, Honourable Members, in view of the foregoing, Government is allocating **Le1.14Tln** representing **21%** of the total budget to the Education Sector. This will support the delivery of Free Quality School Education, which includes the school feeding programme, of which **Le69Bln** has been allocated. Examination fees for NPSE, BECE and WASSCE, provision of textbooks and Teaching and Learning Materials Free Education for Senior Secondary Schools as well as support for school monitoring and supervision. The allocation also includes the sum of **Le631.6Bln** for salaries to Teachers. The sum of **Le215.8Bln** is provided for the strengthening of Technical and Higher Education including grants to Tertiary Education Institutions, Tuition Fee Subsidy for students of Tertiary and Technical Institutions, payment for University Admission Application Forms and seed money to set up the Student's Loan Scheme Trust Board. The amount also includes the **Le86.8Bln** allocated for devolved functions in the education sector.

Mr Speaker, Honourable Members, the sum of **Le56.4Bln** is allocated in the domestic capital budget to complete the procurement of 50 school buses, and counterpart funds for the rehabilitation of Fourah Bay College, Bunumbu Teachers College, Milton Margai College of Education and Technology, the Prince of Wales School, Government Secondary School Bo, Government Secondary School Kenema and the Government Secondary School for Boys Magburaka. The domestic capital budget also includes allocations for the construction and refurbishment of Technical and Vocational Institutions, development of classrooms, laboratories in the Universities, Teacher Training Colleges and Vocational Training Centres.

Mr Speaker, Honourable Members, with **\$20.0Mln** support from the World Bank and **\$2.0Mln** from the domestic capital budget, Government will commence the implementation of a Skills Development Project for our youths in 2019. To address quality, Government will provide the sum of **Le7.5Bln** for strengthening the capacity of school the inspectorate division of the Basic and Secondary Education. Specifically, Government will recruit and train additional School Inspectors, and provide them with logistics estimated about 200 motorbikes, fuel and DSA to facilitate regular monitoring and supervision. These inspectors will in turn be expected to prepare written reports on a regular basis on their findings for the attention of the Ministry of Basic and Secondary Education. Most school facilities are not easily accessible to Persons Living with Disabilities. In line with the provisions contained in the Persons with Disability Act, 2011, Government will ensure that school facilities are easily accessible to Persons with

Disability by constructing ramps with rails at the entrances of the buildings and classrooms. While, we recognise the amount required for this project is quite huge as a responsible Government deem it fit to commence adequate provision. Mr Speaker, Honourable Members, most school facilities are not easily accessible to person with disabilities. In line with provisions containing the persons with disability Act, 2011 Henceforth, all school facilities constructed by Government will be disability friendly. Development partners including the World Bank, European Union, DFID, Saudi Fund and BADEA will disburse a total **Le110.3Bln** to fund various projects in the education sector.

Health

Mr Speaker, Honourable Members, the Health sector is allocated **Le549Bln** representing **10%** of the total budget from a mere **6%**, and will be progressively increased in subsequent years. This will support the procurement of Free Health Care drugs, cost recovery drugs, primary health care services including Malaria, TB and HIV/AIDS prevention and control, Reproductive and Child Health Care Services as well as Tertiary Health Care Services. The amount also includes **Le67Bln** allocated for devolved functions in the Health Sector. An amount of **Le7.8Bln** is allocated to the National Medical Supplies Agency to cover administrative and operating costs.

Mr Speaker, Honourable Members, in addition, **Le54.7Bln** is allocated from the domestic capital budget for the construction of a Diagnostic Health Centre, and refurbishment of several secondary health facilities in Waterloo, Rokupa, King Harman Road and Macaulay Street in Freetown as well as to meet counterpart contributions for various projects in the health sector. As in the case of schools, Government will also commence the modification of health facilities to make them easily accessible to Persons Living with Disabilities.

Mr Speaker, Honourable Members, it is disheartening to note that 1 out of every 3 girls age 15-19 years are either mothers or pregnant and 2 out of every 5 girls are married before age 18. Sierra Leone is among the top 10 countries with the highest rate of teenage pregnancy in the world. To address this concern, Government will launch a National Adolescent Sexual Reproductive Health Programme in 2019. A total of **Le1.2Bln** is allocated in the domestic capital budget and additional funds will be mobilised from our development partners to support this initiative. The World Bank, Global Fund, GAVI, IDB and BADEA will disburse about **Le302Bln** for the implementation of various projects in the Health Sector.

Social Protection

Mr Speaker, Honourable Members, Government is committed to scaling up expenditures on social protection to promote inclusive societies. To this end, an amount of

Le13.5Bln is allocated from the recurrent budget to NaCSA for the implementation of social protection programmes, including cash transfers to mitigate the impact of the liberalisation of fuel prices on the poor. In addition, the Ministry of Labour and Social Security is allocated **Le7.2Bln**; Ministry of Youths **Le5.2Bln**; Ministry of Sports **Le9.7Bln**; the National Youth Commission **Le4.6Bln** and National Youth Service **Le3.2Bln**. An amount of **Le2.7Bln** is allocated for devolved functions relating to Youth and Sports services.

Mr Speaker, Honourable Members, from the domestic capital budget, **Le33.2Bln** is allocated to meet counterpart contributions for various social protection programmes funded by development partners and implemented by NaCSA. The Ministry of Youth will also receive from the domestic capital budget, the sum of **Le15.0Bln** for the implementation of various youth development and empowerment programmes. Notable among these is a National Youth Entrepreneurship Programme that will provide trade credit to our youth to import goods. The World Bank, IDB, KFW and UNHCR will disburse **Le52.4Bln** for the implementation of various social protection programmes by NaCSA. The African Development Bank [ADB] will disburse **Le12.5Bln** towards the Post Recovery Social Investment Fund in the Ministry of Social Welfare, Gender and Children's affairs.

Diversifying the Economy

Mr Speaker, Honourable Members, it is no secret that the Sierra Leone economy is vulnerable to external shocks given its heavy reliance on the mining sector. In recent years, this has resulted in volatility in economic growth with adverse consequences for employment and poverty reduction. In order to achieve sustainable and inclusive economic growth, there is need to diversify into other sectors of the economy that have sustainable growth potential such as Agriculture, Fisheries, Tourism, Manufacturing and Services.

Agriculture

Mr Speaker, Honourable Members, the key objective in the Agriculture Sector in the medium term is to improve the productivity of the sector with a focus on increasing rice production to ensure food self-sufficiency and security. The sector also prioritises the production of cash crops for export as well as livestock development.

Mr Speaker, reflecting the commitment to reduce our dependence on food imports especially rice, Government is allocating **Le294.1Bln**, representing **5%** of the total budget to support the production of rice and other food crops such as cassava, maize, onions and Irish potatoes through the supply of high yielding seeds, fertilizer and other agricultural inputs to farmers as well as the development of irrigation facilities, rehabilitation of inland valley swamps and promotion of agricultural research. The

allocation will also support the cultivation of improved varieties of cocoa, coffee and cashew as well as the enhancement of livestock production. An amount of **Le18.7Bln** is also allocated for the implementation of devolved activities in the agriculture sector.

Mr Speaker, Honourable Members, there is also the urgent need to improve the regulatory framework to attract private sector investment in agriculture. In fulfilment of the pronouncement in the Presidential Address to Parliament in May this year, the Ministry of Agriculture and Forestry in collaboration with Ministry of Finance is developing a new Tractor Management Policy. The thrust of the policy is to involve the private sector in the management of tractors to promote the mechanisation of agriculture. It is hoped that this new paradigm shift will ensure regular repairs and maintenance of tractors thereby ensuring the continuous availability of tractors for use by farmers. In 2019, Government will provide the sum of **Le36.9Bln** for the purchase of 150 tractors and will seek financing from existing donor-funded projects and other sources to acquire additional tractors. Competent private firms will be contracted on a competitive basis to manage the fleet of tractors.

Mr Speaker, Honourable Members, Government is also allocating **Le70.7Bln** from the domestic capital budget to meet counterpart contributions to various donor-funded projects in the Agricultural Sector. The amount also includes support to the Sierra Leone Seed Certification Agency, Sierra Leone Agricultural Research Institute as well as the development of rice and livestock value chains. The World Bank, IFAD, JICA and IDB will also disburse the sum of **Le124.50Bln** for the implementation of various projects in the Agriculture Sector.

Fisheries

Mr Speaker, Honourable Members, improving the productivity of the Fisheries and Marine Sector is critical to the diversification of the economy. In particular, there is a need to support artisanal fishing since it is labour intensive and can therefore generate jobs. There is also the need to develop the fish value chain. These require the provision of fish processing facilities and improve sanitary conditions to meet international standards.

Mr Speaker, Honourable Members, as part of Government's efforts to improve the productivity of the fisheries sector, the Ministry of Fisheries and Marine resources is allocated **Le28.6Bln** to support artisanal fishing activities and aqua-culture. The amount of **Le776.6Mln** is also provided for the implementation of devolved functions in the fisheries sector. Government is also allocating **Le5.6Bln** from the domestic capital budget to support the Fish Stock Assessment Project, the Sustainable Fisheries and Aquaculture Management Project and the Radar and Surveillance Systems for effective monitoring.

Tourism

Mr Speaker, Honourable Members, Government is allocating **Le35.1Bln** from the recurrent budget to the Ministry of Tourism and Cultural Affairs, including **Le13.0Bln** to the National Tourist Board for the development and implementation of the Tourism Marketing Strategy and **Le7.2Bln** to Monuments and Relics Commission for the rehabilitation of various historic building and sites nationwide. The National Railway Museum will receive **Le4.9Bln**.

Mr Speaker, Honourable Members, the Ministry of Tourism and Cultural Affairs is allocated **Le4.4Bln** from the domestic capital budget to support the construction of the Cultural Village and the National Arts Gallery, implementation of the Beach Sanitation Project and the reactivation of the Domestic Tourism in Coastal Areas project.

Mr Speaker, Honourable Members, Government is also allocating from the domestic capital budget an amount of **Le6.9Bln** to the National Tourist Board to meet counterpart contribution for the Sustainable Tourism Development and Promotion Project funded by the World Bank under Enhanced Integrated Framework [EIF] as well as to support the Lumley Beach and Peninsula Beaches Development Projects.

Mr Speaker, the Monuments and Relics Commission will receive **Le3.2Bln** from the domestic capital budget for the restoration of Old Fourah Bay College, phase II of the Monuments and Relic Development Project, construction of a new Purpose Built National Museum in Freetown, preservation and development of Bonthe Island and the rehabilitation of the Railway Museum.

Trade, Manufacturing and Services Sectors

Mr Speaker, Honourable Members, Government's efforts to promote sustained inclusive growth and reduce poverty depends critically on its ability to transform the structure of the economy by promoting investments in the manufacturing and services sectors. These sectors offer great potential for economic growth and well-paid employment opportunities. Promoting investment in these sectors, in turn, requires substantial improvement in the business environment as outlined earlier in this policy statement. As part of efforts to promote trade and investments in manufacturing and services sectors, Government is allocating from the recurrent budget an amount of **Le12.9Bln** to the Ministry of Trade and Industry to support various agencies engaged in improving the business environment and the promotion of investment and export activities. These include the coordination of the Ease of Doing Business Reform Unit, the Sierra Leone Investment and Export Promotion Agency [SLIEPA], Cooperate Affairs Commission, the Sierra Leone Standards Bureau, the Small and Medium Enterprise Development Agency [SMEDA] and the Sierra Leone Business Forum [SLBF]. In addition, **Le718Mln** is

allocated to the Local Content Agency [LCA]. Additionally, the capital budget makes provision of **Le 2.0Bln** for the reconstruction and expansion of the Koindu Market.

Managing Natural Resources

Mr Speaker, Honourable Members, Sierra Leone is endowed with abundant natural resources. If harnessed well and exploited on a sustainable basis, they will provide us with the financial resources to build infrastructure and provide education and health services. To support the efficient management of these resources, Government is allocating **Le5.4Bln** to the Ministry of Mines and Mineral Resources for the review of the Mines and Minerals Act, 2009 and to support Artisanal Miners and Small-Scale Mining Entrepreneurs. The amount also includes **Le2.9Bln** allocated to the National Mineral Agency [NMA]. The Petroleum Directorate is also allocated **Le6.8Bln** for the effective governance and management of petroleum resources. An amount of **Le5.5Bln** is allocated to the Ministry of Lands, Country Planning and the Environment for the implementation of the National Land Policy, among others and **Le1.4Bln** to the National Protected Areas Authority.

Governance and Accountability for Results

Mr Speaker, Honourable Members, to promote good governance and efficient management of the economy, Government is allocating **Le6.6Bln** to the Audit Service Sierra Leone [ASSL]; **Le5.5Bln** to the Anti-Corruption Commission [ACC]; **Le14.4Bln** to the Judiciary; **Le12.0Bln** to the Law Officer's Department; **Le43.7Bln** to the Ministry of Foreign Affairs and International Cooperation [MFAIC]; **Le58Bln** to the Ministry of Finance; **Le14.4Bln** to the Ministry of Planning and Economic Development [MPED]; **Le98Bln** to the National Revenue Authority [NRA]; **Le33.2Bln** to the Accountant General's Department [AGD]; **Le853Mln** to the National Commission for Democracy [NCD]; **Le96Bln** to the Ministry of Defence; **Le87.7Bln** to the Sierra Leone Police; **Le52.4Bln** to the Sierra Leone Correctional Services; **Le17.8Bln** to the National Fire Authority and **Le125Bln** to the Road Maintenance Fund. The budgetary allocation to the House of Parliament is increased to **Le14.5Bln** in 2019 from **Le12.0Bln** in 2018.

Mr Speaker, Honourable Members, in addition, Government is allocating from the Domestic Capital Budget, **Le170.2Bln** to support various governance related activities including **Le45Bln** for the printing and distribution of ECOWAS compliance multi-purpose Identity Cards; **Le5.0Bln** for the rehabilitation of Foreign Missions; **Le9.4Bln** for the construction and rehabilitation of Police Stations Nationwide; **Le37.0Bln** to the Ministry of Defence for the rehabilitation of 34 Military hospital and other health infrastructure as well as for the rehabilitation and construction of Military Barracks; **Le6.0Bln** for the construction of the Headquarter Building of Audit Service Sierra

Leone; **Le6.8Bln** for the construction of Anti-Corruption Commission Headquarters; **Le7.1Bln** for the rehabilitation of Correctional Centres; **Le4.5Bln** for the construction of Fire Stations and procurement of 5 Fire Engines; **Le1.2Bln** for the establishment of the Wages and Salaries Commission; **Le4.8Bln** to support various projects in the Law Officer's Department. In addition, **Le30.4Bln** of the Domestic Capital Budget is allocated to the Ministry of Planning and Economic Development including **Le3.0Bln** to the NAMED and **Le23.0Bln** to the Project Preparation Facility [PPF] to support the preparation of country-owned feasibility studies of projects for various projects. An amount of **Le5.0Bln** is allocated to Statistics Sierra Leone [SSL] for the conduct of various surveys. The Ministry of Finance will receive **Le39.3Bln** to strengthen public financial management as well as to support the ECOWAS Single Currency Programme.

Mr Speaker, Honourable Members, Government will commence the construction of a modern Revenue House that will provide a conducive working environment for officials of the National Revenue Authority. Government will seek additional external support for this project. In addition, the World Bank, DfID, UNFPA and FAO are disbursing **Le18.5Bln** to SSL to support the conduct of surveys.

Infrastructure Development and Economic Competitiveness

Mr Speaker, Honourable Members, the development of infrastructure remains critical in improving the business environment, facilitating the delivery of basic services Improving Competitiveness and Promoting Sustainable Economic Growth. According to the 2016 AfDB's Infrastructure Development Index, Sierra Leone's infrastructure compares poorly to **the rest of Sub-Saharan Africa, ranking 46 out of 54 countries.**

Improving Electricity Supply

Mr Speaker, Honourable Members, reflecting the importance Government attaches to infrastructure development, an amount of **Le104.9Bln** is allocated from the recurrent budget to the Ministry of Energy. Of this amount, subsidies to the energy sector including Car-power Energy and other Independent Power Providers as well as fuel for EGTC thermal generators will amount to **Le100Bln.**

Mr Speaker, Honourable Members, Government is also allocating from the domestic capital budget an amount of **Le99.6Bln** to the energy sector for the rural electrification project involving the procurement of thermal plants and transmission and distribution lines as well as solar streetlights for the district headquarter towns. The amount also covers the procurement and installation of a 30 megawatts HFO thermal plant for the Western Area and support to the Bare Foot Women Solar Project. It also includes counterpart contributions to donor-funded projects in the energy sector. An amount of **Le5.0Bln** is also allocated in the domestic capital budget for the complete electrification of the Lumley Beach area.

Mr Speaker, the Abu Dhabi Fund, African Development Bank, World Bank, EU, DfID, and Indian Exim Bank will disburse **Le196.4Bln** towards the implementation of various projects in the energy sector.

Improving Water Supply

Mr Speaker, Honourable Members, an amount of **Le37.8Bln** is allocated from the recurrent budget to the water sector, including **Le13.3Bln** to the Ministry of Water resources and **Le21.4Bln** for solid waste management. An amount of **Le3.1Bln** is allocated for devolved rural water services.

The Ministry of Water Resources is allocated **Le65.8Bln** from the domestic capital budget for the construction of water supply systems in various parts of the country. The amount will also finance the construction of 100 solar powered boreholes; 200 boreholes and 45 industrial boreholes. An amount of **Le76.9Bln** are allocated from the domestic capital budget to SALWACO to finance the construction of gravity system in the Western Area, construction of solar-powered bore holes in all districts, completion of on-going water supply projects and the procurement and installation of metres, billing software and laboratory equipment.

Mr Speaker, an additional **Le17Bln** are allocated from the domestic capital budget including **Le9.0Bln** for the supply of machinery, procurement and installation of a 60 km pipeline under the Freetown Water Supply and Sanitation Master Plan. The remainder will be used to meet counterpart contributions to donor-funded projects implemented by Guma Valley Water Company. The IDB, OPEC, African Development Bank, DfID and the World Bank will disburse **Le98.0Bln** to SALWACO and **Le33.5Bln** for the implementation of various projects in the water sector.

Roads

Mr Speaker, Honourable Members, Government is allocating **Le174.0Bln** to the Ministry of Works and Public Assets for the rehabilitation, reconstruction and upgrading of roads nationwide under the supervision of the Sierra Leone Roads Authority. The amount also includes counterpart contributions for donor-funded road and bridge projects including the construction of the Hill-Side Bye-Pass Road and the reconstruction of Bandajuma-MRU Bridge and the Magbele, Mabang, Kpangbama, and Moyamba bridges.

Mr Speaker, Honourable Members, the European Union [EU], African Development Bank [ADB], DFID, IDB and Kuwaiti Fund for Development will disburse **Le221.3Bln** for the construction of the bridges rehabilitation of Matotoka-Sefadu Road, Pendembu-Kailahun Road, and the Bo-Bandajuma Road.

Addressing Women, Children and Disability Issues

Mr Speaker, Honourable Members, women and children are the most vulnerable groups in our society. As part of efforts to address some of the challenges facing them, Government is allocating from the recurrent budget, **Le16.2Bln** to the Ministry of Social Welfare including **Le1.85Bln** for devolved functions. An amount of **Le4.0Bln** is provided for children's issues including **Le2.1Bln** as support to the National Children's Commission and **Le2.3Bln** for devolved functions. In addition, an amount of **Le1.2Bln** is allocated from the domestic capital budget as counterpart contribution to the Post Ebola Recovery Investment Project. The Ministry of Planning and Economic Development and Ministry of Finance will work very closely with the Ministry of Social Welfare Gender and Children's Affairs to develop credible programmes to address the diverse needs of this vulnerable group.

Addressing Vulnerabilities and Building Resilience [Environment, Climate Change and Disaster Management]

Mr Speaker, Honourable Members, Sierra Leone is not only vulnerable to economic shocks but also to natural disasters as we have experienced in recent times. Unfortunately, Sierra Leone has been classed among the most severely exposed countries to the dangers of climate change. The World Bank estimated that the probability of future disasters occurring in the multiple climate change disaster prone areas is high, given the current layout of the land. In an effort to address these challenges, Government is allocating from the recurrent budget, **Le15.2Bln** to the Sierra Leone Environmental Protection Agency, **Le3.3Bln** to the Nuclear Safety and Radiation Protection Agency and **Le1.2Bln** to the Sierra Leone Meteorological Agency. In addition, Government is allocating from the domestic capital budget **Le1.7Bln** for the establishment of a Central Facility for Radioactive Waste.

Budget Deficit and Financing

The overall budget deficit, excluding grant is projected to decrease to **Le2Tln [5.5%** of GDP in 2019] from **Le2.9Tln [9.4%** of GDP in 2018]. The deficit including grants is projected at **Le990.6Bln [2.7%** of GDP in 2019] compared to **Le2.0Tln [6.6%** of GDP in 2018]. Net foreign financing of the deficit will amount to **Le716.4Bln**. Domestic financing will amount to **Le830Bln [2.2%** of GDP]. Of this bank financing will amount to **Le803Bln**.

Risks to the Implementation of the Budget

Mr Speaker, Honourable Members, the potential risks that could derail the implementation of the Government Budgets have been identified and discussed in the Government's Fiscal Strategy Statement. For the 2019 Budget, the following risks have been identified:

- [i] Continuous fall in the price of iron ore and its implications for growth, revenue and foreign exchange earnings;
- [ii] Further increase in the price of fuel in the international market and its implications for Government expenditure, foreign exchange reserves and stability of the exchange rate;
- [iii] Rising inflation and domestic interest rates and their implications for Government expenditure on the wage bill, goods and services and interest payments on domestic debt;
- [iv] Contingent liabilities arising from the inefficiencies of the operations of State Owned Enterprises as well as Public Private Partnerships;
- [v] Unexpected shortfall in domestic revenue collection;
- [vi] Delays in the disbursement of budget support by development partners;
- [vii] Weak implementation of structural reforms and non-adherence to the IMF programme targets, which could derail the programme with the Fund; and
- [viii] The occurrence of natural disasters and associated expenditure, which could derail the implementation of the budget.

Conclusion

Mr Speaker, Honourable Members, the 2019 Budget seeks to consolidate efforts aimed at restoring fiscal discipline in the management of the economy. It brings hope to a country that had lost the glory of being the "Anthem of West Africa" to a country where school children can no longer read a passage or write their names. It also brings hope to the people of Sierra Leone, who had lost hope of being tagged as one of the countries recording the highest death of infants, children and mothers. Thus, the theme of this Budget is "Fiscal Consolidation for Human Capital Development". The policies and programmes contained in this budget will restore donor and investor confidence in the economy, which will attract foreign direct investment and expand existing domestic investment as well as facilitate the inflow of official development assistance. This budget consolidates previous efforts at improving the infrastructure of the country by ensuring value for money this time around. The sum total of all of these policies, programmes and projects will help grow the economy and create job opportunities. Mr Speaker, Honourable Members, following the on-going restructuring, the Ministry of Finance is now well positioned to effectively design policies and programmes for moving the economy forward. All these would not have happened without the support of my colleagues in the Ministry of Finance. It is therefore my singular honour to express my sincere gratitude to the Deputy Minister of Finance, the Financial Secretary, Principal Deputy Financial Secretary, all Directors and staff in the Ministry of Finance for their support in the design and implementation of policies including this Budget Policy Statement. We also appreciate the Minister of Planning and Economic Development, her

Deputy Minister, the Development Secretary, Directors and staff for their contribution to the preparation of the capital budget.

Mr Speaker, Honourable Members, the Governor, Deputy Governor, Management and staff of the Bank of Sierra Leone are appreciated for their cooperation in further enhancing the coordination of fiscal and monetary policies. The Commissioner General, Management and staff of the National Revenue Authority deserve special commendation for their tireless efforts in the mobilisation of domestic revenue.

Mr Speaker, Honourable Members, I would like to specifically recognise the bi-partisan role played by this Noble House of Parliament in passing legislations that are contributing to the restoration of fiscal discipline and improving economic governance. In addition, we also wish to acknowledge the invaluable role played by the Attorney General and Minister of Justice, the Solicitor General and staff in the Law Officers Department for their facilitation and finalisation of the various Bills and Statutory Instruments. I would also like to recognise our development partners, who have committed to disburse budget support before the end of the year and have been providing project support as well as technical assistance and advisory services that have contributed to ongoing improvements in economic governance.

Mr Speaker, Honourable Members, My gratitude also goes to District Budget Oversight Committees, Non-State Actors, and members of the electronic and print media who participated in our open Budget Policy Discussions. As usual, the Government Printer and staff rose to the occasion and produced the printed Budget Statement and estimates on time.

Finally, let me thank His Excellency, President Retired Brigadier. Julius Maada Bio and the Honourable Vice President Dr Juldeh Jalloh, for their firm leadership and support to the Ministry of Finance in the implementation of these economic reforms. I would also like to thank colleague Cabinet Ministers for their understanding and commitment to priority programmes in the midst of scarce resources.

Mr Speaker, Honourable Members, let me reiterate that this Budget is the first in a series of Budget Policy statements that will restore fiscal discipline, promote human capital development, continue to improve infrastructure, provide space for the private sector to play its rightful role and provide support to the vulnerable groups of our society. This is the new and the RIGHT DIRECTION.

Mr Speaker, Honourable Members of Parliament, I move that the Bill entitled: "*The Appropriation Act, 2019*" being an Act to authorise expenditure from the Consolidated Fund for the services of Sierra Leone for the year 2019 and for other related matters has been read the first time.

[Question Proposed, Put and Agreed To]

[The Bill entitled: "The Appropriation Act, 2019" being an Act to authorise expenditure from the Consolidated Fund for the services of Sierra Leone for the year 2019 and for other related matters has been read the first time].

ANNOUNCEMENTS

HON. SIDIE M. TUNIS *[Leader of Government Business]*: Mr Speaker, Honourable Members, in consultation with the Leader of Opposition, debates on the 2019 budget will commence on the next adjourned date. All MDA's are required to be in attendance. The Committee of Supply will commence work immediately thereafter,

ADJOURNMENT

[The House rose at 12:37 p.m. and was adjourned to Wednesday, 7th November, 2018 at 10:00A.M.]