

MR. SPEAKER, HONOURABLE MEMBERS

## I. INTRODUCTION

1. Mr. Speaker, Honourable Members, I rise to move that the Bill entitled "An Act to provide for the services for Sierra Leone for the Financial Year 2015" be read for the first time.

2. Mr. Speaker, Honourable Members, the unprecedented outbreak of the Ebola Virus Disease has created a devastating social and humanitarian crisis with severe negative economic impact, thus, reversing the impressive economic growth we have achieved in recent years.

3. Since the outbreak of Ebola, thousands of Sierra Leoneans have been infected and hundreds have died and many more are still dying. Over two-thirds of those infected are between the ages of 15 - 55 years- the most economically active. Non-Ebola illnesses are adding to the toll of death and suffering as clinics and hospitals staff are hesitant to attend to other patients for fear of contagion of this dreadful disease.

4. Our doctors and nurses are the main victims with loss of lives in several cases. Farmers and traders are among the fatalities, most of whom are women. Children are orphaned, while society rejects them. Schools and higher institutions of learning remain closed.

### **Short Term Economic Impact of the Ebola Disease**

5. Mr. Speaker, Honourable Members, the combined effect of the disruptions to agriculture, mining, manufacturing, construction, transportation, domestic and international trade and tourism activities has significantly lowered the growth prospects of the economy. Preliminary analysis shows that economic growth will slow down to 4.0 percent in 2014 compared to the original projection of 11.3 percent. The Ebola Virus Disease poses a great threat to macroeconomic stability, human development and poverty reduction.

6. Mr. Speaker, Honourable Members, the measures adopted to stem the spread of the Ebola outbreak, including the closure of periodic markets, internal travel restrictions and the closure of borders, while appropriate, have also severely disrupted the supply of domestic food and non-food items. This has resulted in rising consumer prices, especially for essential commodities. Our national currency, the Leone, depreciated by 9.2 percent in the official market and by 13.2 percent in the parallel market between end May and end October this year due to excess demand pressures for foreign exchange.

7. The financial sector has also been adversely affected. Normal banking hours have been reduced by 1-2 hours daily while some banks closed operations in epicenters with consequences on internal trade. Some Community Banks and Financial Services Associations (FSAs), which provide services for farmers and small scale businesses in rural areas, have either closed down or scaled down operations.

8. As a consequence of the impact on economic activities, domestic revenue collection dropped and is estimated to decrease by about Le390 billion, equivalent to US\$90 million in 2014.

9. While recent assessment shows that Sierra Leone's public debt is sustainable in the medium to long-term, the drop in domestic revenue and increase in expenditure induced by the Ebola outbreak posed serious challenges to debt management.

### **Social Impact of the Ebola Disease**

10. Mr. Speaker, Honourable Members, the Ebola epidemic has also negatively impacted our social fabric. It has disrupted health and education programmes; and halted the implementation of water and sanitation projects, especially in the rural areas. The disease also worsened the already fragile situation of women, children and the physically challenged. In particular, it eroded the gains achieved in the country's healthcare services, especially the flagship, Free Healthcare Initiative.

11. Moreover, NGO operations in the water sector have either been suspended or scaled down while resources for expanding the Water, Sanitation and Hygiene infrastructure diverted to Ebola-related activities. This is likely to lead to an outbreak of water-borne diseases, further putting pressure on an already overstretched health care system.

12. Mr. Speaker, more women than men have contracted the disease. This is attributable to (i) women's role as caregivers in their families, which places them at higher risk of exposure to the Ebola disease; (ii) majority of health care workers are female nurses; and (iii) women are mainly engaged in informal trade in crowded open markets and at border towns. The loss of livelihood and stigma has a disproportionate effect on women.

13. Available statistics indicate that 170 children have died from the Ebola disease as at November 11, 2014; those children who have survived are stigmatized and many are roaming the streets of our communities.

14. The elderly also face increased poverty and social exclusion since many of them are not eligible to pension and rely on family members for social support.

15. The physically challenged are far more affected and exposed. For instance, the blind depend on the sense of touch, which exposes them to the disease. Additionally, many of them depend on begging on the streets. This does not only expose them to the disease but has also now limited their movement and sources of livelihood.

16. Mr. Speaker, Honourable Members, on the basis of these devastating effects, the 2015 budget will announce policies and programmes to mitigate the social and economic effects of the Ebola outbreak. Hence, the theme of this budget is **“restoring livelihoods for post Ebola economic and social recovery”**. This is a budget that brings hope in a crisis; that lays the foundation for a full recovery.

## II. NATIONAL AND INTERNATIONAL SUPPORT TO COMBAT EBOLA

17. Mr. Speaker, Honourable Members, at the onset of the outbreak, Government, in collaboration with its partners on the ground, responded swiftly. An Emergency Operations Centre was established and a National Ebola Response Plan developed. Thus far, Government has contributed Le80 billion; of which Le9.9 billion directly to the Ministry of Health and Sanitation; Le40 billion to the Ebola response and Le 30 billion for hazard pay incentives into the dedicated Ebola account at the Sierra Leone Commercial Bank.

18. The international community's response, despite being slow initially, has improved in recent months in the form of increased financial and technical assistance. The estimated indicative and firm commitments, by development partners are as follows: African Development Bank, US\$61.2 million; World Bank, US\$132 million; United Kingdom, US\$535 million; European Commission Humanitarian Aid, US\$16.9 million; United States of America, US\$10.2 million; Australia, US\$9.6 million; Italy, US\$6.5 million; Japan, US\$5.5 million; China, US\$4.8 million; Republic of Ireland, US\$2.5 million; Germany, US\$2.2 million; Finland, US\$2.2 million; and Sweden, US\$1.9 million. Other contributing countries and organisations include Austria, Cuba, Denmark, Netherlands, Nigeria, The Gambia, Canada, Spain, Islamic Development Bank, and the Organisation of Petroleum Exporting Countries Fund. Contributions from Humanitarian organizations include the Children's Investment Fund Foundation, US\$14.9 million; and Central Emergency Response Fund, US\$7 million.

19. In addition, several countries and agencies have committed funds to support regional efforts to fight Ebola in Guinea, Sierra Leone and Liberia. These include the Bill and Melinda Gates Foundation, US\$51 million; Canada, US\$30 million; Clinton Global Health Investment, US\$5.9 million; Comic Relief, US\$1.6 million; Federal

Republic of Germany, US\$87.8 million; GlaxoSmith Kline, US\$1.5 million; Switzerland, US\$5.2 million; and Timor Leste, US\$2 million. In total, US\$183 million has been committed as support for Guinea, Liberia and Sierra Leone. These funds are yet to be allocated among the three countries.

20. Private donations, both local and foreign, amounted to Le 9.8 billion and US\$4.6 million as per bank statement from the Sierra Leone Commercial Bank as at 31st October 2014.

21. Mr. Speaker, Honourable Members, we appreciate the additional budget support provided by the African Development Bank, US\$24 million; World Bank, US\$20; and the European Union, €12.6 million to mitigate the impact of higher spending and revenue loss due to Ebola. The budget support provided by the IMF through an augmentation of resources of US\$40 million was timely in mitigating the fiscal impact of Ebola and supported the increase in the amount offered in the weekly Foreign Exchange Auction by the Bank of Sierra Leone.

22. Given the risks faced by our medical personnel, there is need to provide incentives to encourage them to continue to provide medical care and support to Ebola victims. To this end, Government has provided Le30 billion while the African Development Bank and the World Bank have also provided US\$ 5.2 million and US\$17 million, respectively as hazard pay to health workers engaged in the fight against Ebola.

23. Mr. Speaker, Honourable Members, as the International Community and friends of Sierra Leone continue to support Government efforts in the fight against Ebola, we are mindful of the fact that despite the need for expediency, we need to put a mechanism in place to ensure that due processes are followed. To this end, we are engaging the services of Price Waterhouse and Cooper to provide fiduciary oversight in the utilization of funds. In addition, to promote accountability and ensure that the various resources provided by organizations are properly coordinated, we have agreed on a joint reporting format with our development partners. Post Ebola, Government and development partners will issue a single report on the utilization of resources received to fight Ebola. This is meant to meet public accountability and the International Aid Effectiveness principles of the New Deal.

24. Mr. Speaker, Honourable Members, let me on behalf of the Government and people of Sierra Leone extend our sincere gratitude to all our development partners, multilateral as well as bilateral, that have contributed to the fight against Ebola. I wish to say special thanks to the United Nations Family for leading the fight against the Ebola Outbreak in Sierra Leone and globally. It is therefore no coincidence that the bulk of the resources dedicated to the fight against Ebola is channeled through UN Agencies in particular WHO, UNICEF, WFP, UNFPA, FAO and the UN Multi-Partner Trust Fund (MPTF).

25. We are also grateful for the setting up of the United Nations Mission for Ebola Emergency Response (UNMEER) to support the efforts of the National Ebola Response Centre (NERC). The United Nations, for the first time in its history, adopted a Global Public Health Intervention Strategy for the sub-region.

26. We are confident that the efforts of the international community will not be limited to assist in containing the disease but will also support Government's post Ebola Recovery Plan. Meanwhile, the World Bank has committed US\$98 million to Sierra Leone's post Ebola recovery efforts and the International Finance Corporation (IFC), US\$ 450 million towards trade, investment and employment for post Ebola recovery efforts in Guinea, Liberia and Sierra Leone. Our budget support partners have provided strong indications of scaling-up support in the post Ebola period especially during 2015. We are also urging our non-traditional partners who have stood with us in the fight against Ebola to continue to support our post Ebola economic recovery.

### **III PRE-EBOLA ECONOMIC PERFORMANCE**

27. Mr Speaker, Honourable Members, you will recall the substantial progress achieved in stabilizing the economy and improving infrastructure prior to the outbreak of the Ebola disease. In particular, our country recorded double digit economic growth in recent years, thanks to iron ore production and export combined with Government investment in infrastructure as well as buoyant activities in the agriculture, construction and services sectors.

28. Based on these developments, 2014 was regarded as the period for consolidating these achievements while laying the foundation for improved public service delivery in line with the Agenda for Prosperity. The performance of our economy during the first five months of 2014 was encouraging with leading indicators pointing to robust economic growth, falling consumer prices, declining domestic interest rates and a stable exchange rate. The implementation of infrastructure projects was on track while service delivery challenges were being identified and addressed.

29. Mr. Speaker, Honourable Members, with continued implementation of pro-growth policies prior to the Ebola outbreak, real GDP growth was projected at 11.3 percent and inflation at 7.5 percent for 2014. During the first half of the year, the economy was on track in achieving these macroeconomic objectives as activities in key sectors, including agriculture, mining, manufacturing, construction, and services such as banking and telecommunications were expanding.

The Bank of Sierra Leone's proactive monetary policy management, backed by Government's prudent fiscal strategy combined with improved domestic food production and a stable exchange rate resulted in a decline in inflation from 8.2 percent in December 2013 to 6.4 percent in April 2014, the lowest in five years.

30. In the fiscal area, despite a strong performance in 2013, outturn for the first half of the year was weaker than expected. Revenue underperformed by Le73.2 billion on account of lower proceeds from the mining sector, taxes on goods and services, and corporate income tax. Recurrent expenditures were higher than projected by Le 55.8 billion, mostly due to overruns in wages and salaries by Le 14.9 billion on account of new recruitments, Ebola-related expenditures of Le9.9 billion, and higher-than expected spending on goods and services by Le36.5 billion.

31. The external position improved with foreign exchange reserves increasing to around US\$530 million or 3.6 months of imports cover. The exchange rate remained relatively stable as at end-June 2014.

32. Mr Speaker, Honourable Members, despite the challenging environment, I am pleased to inform this House that Sierra Leone met all the Quantitative Performance Criteria under the Extended Credit Facility Arrangement with the IMF at end June 2014.

#### **IV. GLOBAL AND REGIONAL ECONOMIC OUTLOOK**

33. Mr. Speaker, Honourable Members, the global economy is slowly recovering following a slowdown in 2013. It is projected to grow by 3.4 percent in 2014 and further by 4 percent in 2015. While economic activities in the advanced economies (USA, Euro Area and Japan) are picking up, the outlook for several emerging markets including China, Russia, South Africa are less optimistic.

34. In emerging market and developing economies, growth is now projected to moderate to 4.6 percent in 2014 but will strengthen to 5.2 percent in 2015. Growth in the Chinese economy is slowing to 7.4 percent in 2014 and further to 7.1 percent in 2015, reflecting the weak performance of the manufacturing sector, slow increase in investment, and bank credit to the private sector. This has implications for exports from Sierra Leone, especially iron ore.

35. In sub-Saharan Africa, strong growth is expected to continue averaging 5.4 percent in 2014 and will strengthen to 5.8 percent in 2015, driven by efforts to invest in infrastructure and by strong agricultural production. Risks to the growth prospects of Sub-Saharan Africa include the slow growth in emerging market economies and the Ebola outbreak.

#### **V. POTENTIAL MEDIUM-TERM ECONOMIC IMPACT OF EBOLA EPIDEMIC AND MACROECONOMIC FRAMEWORK, 2015-2016**

36. Mr. Speaker, Honourable Members, the medium-term macro-fiscal framework agreed with the IMF in April 2014 indicate strong growth, declining inflation and improving external and fiscal performance. This was anchored on the assumption of expansion in iron ore mining, agriculture and services, coupled with the expected recovery in the electricity sector and the planned scaling-up of investment under the Agenda for Prosperity.

37. Unfortunately, the heavy toll of the Ebola outbreak on human lives, and its dampening effect on economic activities requires a revision of the medium term outlook to reflect current developments. The outlook is anchored on two scenarios: (i) an Optimistic Low Ebola Scenario that assumes the containment of the virus by end 2014; and (ii) a Pessimistic High Ebola Scenario that assumes the Ebola Virus is not contained until the third quarter of 2015.

38. If the low Ebola outbreak scenario materializes, an economic recovery will emerge over the course of 2015. Under this scenario, economic activities will rebound led by agriculture, manufacturing, tourism and construction. This will result in GDP growth of 2.5 percent in 2015 compared to the 9 percent originally projected. Inflation is projected to increase to 12 percent compared to an earlier projection of 6 percent.

39. Under the high Ebola scenario, agricultural output will fall dramatically due to large scale abandonment of farms by farmers and services will also contract, especially in the hospitality sector. Economic buoyancy will largely depend on Government expenditure, but this is highly uncertain. In this case, overall GDP will contract by 2.0 percent in 2015 while non-iron ore GDP will shrink by 3.2 percent. Inflation will remain high reaching 14 percent, due to poor harvest in 2014 and loss of planting seasons in 2015.

40. In both scenarios, it is expected that gross foreign exchange reserves will remain above 3 months of import cover in 2015 on account of the projected increase in Ebola related foreign inflows, and inflation will return to a single digit in 2016.

## **VI. STRUCTURAL REFORMS**

### **Monetary and Financial Sector Policies for 2015**

41. Mr. Speaker, Honourable Members, regardless of the leading challenges, Government will continue to embark on reforms. The Bank of Sierra Leone will pursue policies to maintain low and stable prices and implement appropriate supervisory measures to ensure financial stability. The Bank has completed the installation of a safe and modern payments system infrastructure to support high value real time payments for commercial banks and their customers.

42. To deepen the financial system and improve rural financial intermediation, four new Community Banks were granted license in early 2014, Kamakwie Community Bank, Madina Community Bank, Sumbuya Community Bank and Taiama Community Bank, thereby increasing the number of community banks from thirteen to seventeen. The creation of the new Community Banks was supported by the International Fund for Agricultural Development (IFAD).

43. The Apex Bank (SL) Limited was licensed to carry out first level supervision of Community Banks and Financial Services Associations (FSAs).

44. Mr. Speaker, on structural reforms, the Bank of Sierra Leone has prepared a roadmap for developing and implementing risk-based supervision to support Financial Sector Stability. In an effort to develop interbank transactions in Government Securities Market, the Bank also prepared a Primary Dealer agreement to facilitate the development of the interbank foreign exchange market. The Bank has virtually moved towards wholesale Foreign Exchange Auction, while awaiting Technical Assistance from the IMF to move the process further.

45. In 2015, the Bank of Sierra Leone will prepare an internal Contingent Manual to guide identification and supervisory actions in the event of specific or systemic bank distress. The Bank will also draw up a detailed risk-based supervisory framework for on-sight supervision of the largest banks in the country. Furthermore, the Bank will develop and issue to commercial banks, Internal Risks Management guidelines to forestall credit, market, and technology risks.

46. Mr. Speaker, Honourable Members, with the continued pressure on the exchange rate, the fall in export receipts and the decline in capital inflows, the foreign currency component of payments for all Government funded contracts is decreased from 70 percent to at most 50 percent.

### **Public Financial Management Reforms in 2015**

47. Mr. Speaker, Honourable Members, with the support of development partners, Government carried out a number of Public Financial Management (PFM) reforms at both the central and local levels. These contributed to improving public budgeting and expenditure management, public procurement, public sector accounting and reporting, internal auditing and external oversight of public finances in recent years. Despite this, challenges remain in some specific PFM areas.

48. To address remaining challenges, Government developed a medium-term PFM Reform Strategy for the period 2014-2017. To this end, Government remains committed to improving fiscal discipline, strengthening budget credibility and ensuring value for money as agreed under the Multi-Donor Budget Support Performance Assessment Framework (MDBS-PAF). The implementation of this strategy is being supported under the new Public Financial Management Improvement and Consolidation Project funded jointly by Government and the Multi-Donor Budget Support Partners.

49. Government will complete the regulations for effective implementation of the new Public Financial Management Bill, which will soon be submitted to this Honourable House. The new PFM Bill presents clear and comprehensive definitions of Government entities; introduces fiscal responsibility principles; improves macro-fiscal planning; and management of fiscal risks; strengthens budget discipline to enhance budget credibility; improves cash management; and strengthens accounting, reporting and auditing.

50. Following the recommendations of Country Procurement Assessment Review in 2012, the National Public Procurement Act, 2004 has been reviewed. The revised Bill has been approved by Cabinet and will be submitted to this Honorable House, shortly.

51. Progress in the establishment of the Treasury Single Account (TSA) is also far advanced. The TSA was scheduled to be completed in September this year but technical assistance was delayed because of the Ebola outbreak. Meanwhile, a Memorandum of Understanding between the Ministry of Finance and Economic Development and the Bank of Sierra Leone has been agreed that defines the roles and responsibilities of stakeholders with regard to the implementation of the TSA.

52. Mr. Speaker, Honourable Members, the recent analysis of our debt situation revealed that public debt, both domestic and external, is sustainable in the medium to long-term with minimum degree of risks. Going forward, Government will continue implementing prudent external borrowing practices by prioritizing highly concessional loans.

53. With regards to domestic debt, prudent domestic borrowing resulted in declining interest rates which created savings on interest payments of Le40.7 billion in 2013 and Le122 billion in 2014.

54. To address the costs and risks of domestic debt burden, Government will review the Medium Term Debt Management Strategy in 2015 to assess the impact of Ebola outbreak on the debt sustainability thresholds. We will also adopt a comprehensive framework within which Government can make informed choices on how financing requirements could be met at the lowest possible cost consistent with a prudent degree of risk.

### **A Project Preparation Fund (PPF)**

55. A Project Preparation Fund (PPF) has been established as a demand-responsive facility to finance large and medium scale project preparatory activities. The Fund will facilitate project preparation activities necessary to undertake infrastructure projects from identification through concept design to financial close, including feasibility studies, financial and legal structuring, as well as capital-raising. These preparatory activities include up-stream sector studies, structural adjustment studies, project cycle activities and institutional capacity building programs.

56. The PPF will operate on the basis that ownership and commitment to delivery ultimately rests with the relevant MDAs, and in the case of commercial revenue-generating projects, with the private operator of the project. In this regard, Government has allocated the sum of Le5 billion to the Fund.

## Budget Monitoring

57. To strengthen budget execution and project monitoring, the Ministry of Finance and Economic Development will appoint budget monitors in all the Districts.

### VIII. POST-EBOLA RECOVERY- THE NEAR-TERM RESPONSE PLAN

58. Mr. Speaker, Honourable Members, consistent with the low Ebola scenario, fiscal policy in 2015 will lay the foundation for post Ebola economic recovery. The strategy will focus on the following areas:

- (i) **Reviving the Economy:** Stabilise and stimulate the economy by supporting the recovery of agriculture, commerce and trade as well as services, especially tourism;
- (ii) **Strengthen Health Systems:** Establish Public Health Sierra Leone, including the establishment of a well-staffed and equipped Centre for Disease Control and medical insurance for health workers;
- (iii) **Revitalise the Education Sector:** Address the challenges of re-opening schools by implementing a nation-wide school feeding programme; improve hygiene in schools and provide incentives to encourage children to return to school;
- (iv) **Support Recovery of the Agriculture Sector For food security:** re-establish farm activities and extension services and gradually provide assistance to farmers in the form of inputs such as farming tools, seeds as well as credit facilities;
- (v) **Improve Access to Finance:** Improve access to finance for SMEs to foster cross-border and regional trade for job creation and restoration of household incomes;
- (vi) **Scale up Social Protection support:** Provide support to vulnerable groups especially orphans and those affected by the Ebola Disease; and
- (vii) **Re-start Infrastructure projects:** Support on-going works on roads, energy and water and sanitation to provide opportunities for private sector development, create jobs especially for youths and improve household incomes.

## **IX. PROJECTED RESOURCES FOR 2015**

59. Mr. Speaker, Honourable Members, on the assumption of low Ebola scenario, total budgetary resources are projected at Le3.3 trillion equivalent to US\$660 million in 2015. This includes, domestic revenue of Le2.4 trillion; programme grants of Le302 billion, including external budget support of Le269.4 billion from ADB, DfID, EU and the World Bank.

60. Borrowing from the domestic bank and non-bank sector through the sale of Government securities will amount to Le451 billion. Proceeds from the repayment of the Sierra Rutile Loan will amount to Le51.6 billion, while proceeds from the privatization of state enterprises are estimated at Le17 billion.

61. Income taxes will contribute Le921 billion; Goods and Services Tax, Le495 billion; these include significant contribution from telecommunications, Customs and Excise duties, Le520 billion; Mining Royalties and Licenses, Le231 billion; and Fisheries Licenses and Royalties, Le40.1 billion. Revenue collected by other Ministries, Department and Agencies in the form of fees, charges and levies will amount to Le82 billion. Road User Charges and Vehicle licenses will amount to Le100 billion.

62. Development partners are expected to disburse Le742 billion from existing as well as new loans and Le495 billion of grants to finance capital projects.

## **X. REVENUE AND TAX POLICIES FOR 2015**

63. Mr. Speaker, Honourable Members, in 2015, fiscal policy will aim at supporting fiscal consolidation through increased revenue mobilization as well as expenditure rationalization and prioritization. With the projected reduction in economic activity and a potentially weak tax base, Government will adopt measures to broaden the tax base; strengthen tax administration and improve the efficiency of tax collection. In this regard, Government will streamline and rationalize tax and duty exemptions including payment of taxes for contracts awarded by Ministries, Departments and Agencies (MDAs).

64. Mr. Speaker, Honourable Members, property taxes remain an important source of revenue for local councils. In this regard, the Ministry of Finance and Economic Development, in collaboration with the Ministry of Local Government and Rural Development, will work with all stakeholders to improve property tax collection. Specifically, cadastre mapping of all lands and buildings in urban centres will be carried out to determine the base of property taxes in the country.

65. Additionally, the NRA will implement the following tax administration efficiency measures: (i) extensive stakeholder engagement; (ii) monthly reconciliation between ASYCUDA and the Destination Inspection Companies Database to identify discrepancies in value of assessments; (iii) work with Indian Customs and World Customs Organisation

(WCO) to adopt its reference price database; and (iv) develop and implement a revenue accounting, reconciliation, and commercial bank integration system to facilitate swift payment and accounting of taxes paid. Furthermore, with support from the ADB, Government will strengthen the newly established Extractive Industry Revenue Unit to ensure maximum realization of revenues from the extractive sector.

66. Mr. Speaker, Government will also introduce a Revenue Administration Bill that consolidates the administrative provisions in the various tax legislations into a single document with the objective of reducing the burden of tax compliance on taxpayers including importers. The Bill will remove inconsistencies in tax administrative provisions contained in various tax legislations and update provisions to reflect current approaches to improve tax administration. Accordingly, the Income Tax, Goods Services Tax and Customs Acts will be reviewed in line with the new Revenue Administration Act.

## **XI. EXPENDITURE ALLOCATIONS FOR 2015**

67. Mr. Speaker, Honourable Members, the indicative allocations of expenditure I am about to announce for 2015 are based on the priorities referred to in this statement under discretionary and non-discretionary expenditures.

### **A. Non-Discretionary Expenditures**

#### **Wages and Salaries**

68. Consistent with the Medium-Term Wages and Salaries policy of Government, the Government wage bill is programmed to increase to Le1.58 trillion in 2015 from Le1.37 trillion in 2014. On this basis, I am pleased to announce a 15 percent increase in wages and salaries for all categories of public sector workers effective July 1, 2015. Thus the minimum wage will increase from Le480, 000 to Le 550,000 for Civil Servants and from Le600,000 to Le660, 000 for Teachers, the Police, the Military, Prisons and Fire Force.

69. **Debt service payments** are projected at Le347 billion. Of this, Le228 billion is interest payments on domestic and foreign debt and Le118 billion for principal repayments of loans.

70. Total statutory transfers will amount to Le389.5 billion. These include Le100.2 billion to the Road Maintenance Fund; and Le 89 billion to Local Councils.

### **B. Discretionary Expenditures**

71. Total discretionary expenditures are projected at Le 1.14 trillion. Of this, Le646 billion is for recurrent expenditures; Le430 billion for domestic funded capital projects; Le22.1 billion for domestic suppliers arrears; and Le 45 billion as contribution towards the continuing fight against Ebola. Foreign funded capital expenditures will amount to Le1.24 trillion. The indicative allocations for all MDAs are stated under their respective Pillars in the Agenda for Prosperity.

## **Pillar 1: Economic Diversification to Promote Inclusive Growth**

72. Diversification of the Sierra Leone economy will be done through an integrated approach with participating Ministries, Departments and Agencies pooling resources and strategies.

73. **Agriculture:** As indicated earlier, disruption to agriculture and food production in particular will worsen the food security situation with adverse effects on nutrition given the already high prevalence of malnutrition in the country. In this regard, an amount of Le45.9 billion is allocated to agriculture. This will support the recovery of the sector by enhancing agricultural productivity through the provision of inputs, including seeds, planting materials, agricultural tools and improving activities along the value-chain for food crops. This will also support the launch of the three-year fertilizer programme and the rehabilitation of tree crops plantations. An additional amount of Le 14.1 billion will be transferred to Local Councils to support agricultural activities in rural areas.

74. An amount of Le9.6 billion is also allocated to agriculture from the capital budget. Of this, Le3.3 billion is counterpart funds for ongoing donor-funded projects and Le6.3 billion to support post Ebola recovery farming activities.

75. Development partners, including the World Bank, IFAD, GEF and European Union will also disburse Le38.6 billion to support ongoing foreign-funded agricultural projects.

76. **Tourism and Culture:** An amount of Le5.5 billion is allocated to the Ministry of Tourism and Cultural Affairs. Of this Le 2.2 billion is allocated to the National Tourist Board to undertake post Ebola image building and rebranding programmes through the use of international media houses. This will also include the development and implementation of a tourism marketing strategy. Additional funding is allocated for rehabilitation of museums and development of the Lumley Beach.

77. **Fisheries and Marine Resources:** An amount of Le2.1 billion is allocated to the Fisheries sector to support artisanal fishing and aqua-culture as well as the operationalisation of a Fish Testing Laboratory to obtain EU certification for fish exports. In addition, an amount of Le3.9 billion is allocated from the domestic capital budget, of which Le1.9 billion is counterpart contribution to the donor funded projects in the Fisheries sector and Le2.0 billion to finance the construction of cold rooms in district headquarter towns as well as the fisheries training school. The EU and World Bank will provide Le7.1 billion to support other projects in the fisheries sub-sector.

## Pillar 2: Managing Natural Resources

78. **Environment:** Due to the Ebola outbreak, poaching in animal reserves, illegal logging, farming and mining seem to have increased in protected forest areas. This is likely to impact negatively on the gains achieved in protecting water catchment areas, forest and animal reserves. To address these, an amount of Le3.7 billion is allocated to the National Protected Area Authority and the Sierra Leone Environment Protection Agency.

79. **The Ministry of Mines and Mineral Resources** is allocated an amount of Le1.9 billion in support of its activities. An amount of Le 4.1 billion is allocated to the National Minerals Agency to monitor and regulate mining activities while enforcing the payment of mining licenses and royalties; and the **Ministry of Lands, Housing and the Environment** is also allocated an amount of Le2.8 billion.

80. From the domestic capital budget, an amount of Le1.3 billion is allocated as Government counterpart contribution to various donor funded projects in the mining and environment sectors. Development partners, including the World Bank, European Union and UK-DfID are expected to disburse Le16.2 billion to support the implementation of various projects in this sector.

## Pillar 3: Accelerating Human Development

81. **Health:** Mr. Speaker, Honourable Members, to address the emerging challenges in the health sector, an amount of Le97 billion is allocated to the **Ministry of Health and Sanitation**. Of this, Le52 billion will support on-going efforts to improve the quality of and access to basic and tertiary health services and Le 45 billion is allocated under the contingency fund to support Ebola-related activities.

82. The National Pharmaceutical Procurement Unit is allocated an amount of Le35.1 billion for the procurement and distribution of drugs. In addition, an amount of Le20.3 billion will be transferred to the Local councils for primary health care services.

83. An amount of Le54.8 billion is allocated from the domestic development budget to facilitate the establishment of Public Health Sierra Leone, including Le4.0 billion for the rolling out of a Medical Insurance Scheme for health workers. The Ministry will work out the details of the proposed Public Health Sierra Leone programme to capture various projects such as mainstreaming sanitation and hygiene across the country; establish a national ambulance service and a pool of paramedics and trained clinicians. Hence a Public Health Master Plan will be developed shortly.

84. Development partners, including the Kuwait Fund, BADEA, IDB, World Bank, Global Fund and GAVI will disburse an amount of Le100.4 billion to support various projects in the health sector.

85. **Education:** Mr. Speaker, Honourable Members, Government indefinitely postponed the re-opening of schools, universities and other higher institutions of learning due to the fear of contagion, especially among children. This has adverse effects, including the loss of time in the learning process, delay in conducting public examinations such as BECE, likelihood of school drop-outs and increase in teenage pregnancy.

86. In this regard, an amount of Le60.1 billion is allocated to the **Ministry of Education, Science and Technology** to support a nationwide school feeding and accelerated education through radio and television teaching programmes.

87. Government is also allocating Le 10.3 billion to scale up support to the girl child programme. The current situation involves the payment of tuition fees for three terms for girls in JSS I, two terms for girls in JSS II and one term for those in JSS III. With effect from next academic year, Government will pay tuition fees for all the terms for girls in Junior Secondary School. In addition, an amount of Le 37.8 billion will be transferred to Local Councils to scale up procurement of teaching and learning materials, disinfectant for schools, payment of tuition fee subsidy for primary school children and payment of examination fees for pupils taking NPSE and BECE. An amount of Le7.9 billion is also allocated to continue to pay examination fees for WASCE.

88. Grants to tertiary educational institutions, including tuition fee subsidy for students at University of Sierra Leone and Njala University will amount to Le 142.5 billion. The tuition fee subsidy will benefit about 18,000 students.

89. Development partners are expected to contribute Le164.5 billion in support of projects in the education sector.

90. **Water Resources:** An amount of Le8.9 billion is allocated to the Ministry of Water Resources in support of its activities, including the establishment of a National Water Resource Management Agency to improve the operations of Guma Valley Water Company and SALWACO. An amount of Le13.3 billion is allocated to SALWACO and Guma Valley Water Company for the improvement of water distribution systems in rural areas and the Western Area, respectively. The Local Councils are also allocated an amount of Le 4.5 billion for solid waste disposal services.

91. The ADB, BADEA, IDB, OFID and GEF will disburse Le92.1 billion to support various water projects including the Rural Water and Sanitation Project, the Three Town Water Supply Project for Bo, Kenema and Makeni and the Kabala Water Supply System.

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

92. **Roads:** Mr. Speaker, Honourable Members, the on-going phase of road programmes and other public works will continue as part of our efforts to stimulate the economy and provide jobs, especially for the youth. To this end, an amount of Le131.8 billion is allocated in respect of the rehabilitation and reconstruction of trunk roads, Freetown urban and district headquarter town streets.

93. Road User Charges and Vehicle Licenses will contribute an amount of Le100.2 billion to the Road Maintenance Fund Administration. The Road Fund will support the routine maintenance of trunk and city roads, bridges and ferries, upgrading of existing roads as well as the development of new trunk and feeder roads.

94. Development partners, including the European Union, ADB, IDB, Saudi-Fund, Kuwait Fund, BADEA, OPEC and GIZ will disburse an amount of Le434 billion to the road sector.

95. An amount of Le8.6 billion is allocated to the Ministry of Works, Housing and Infrastructure, of which Le2.6 billion is for repairs and maintenance of Government buildings. In addition, Le 18.8 billion is allocated to the Ministry for the rehabilitation and construction of Government buildings.

96. **Energy:** Mr. Speaker, Honourable Members, one of the key milestones that would underpin the successful implementation of the Agenda for Prosperity and support the post-Ebola recovery programme is the restoration of sustainable electricity supply in Freetown and urban-rural towns. To achieve this, Government, in collaboration with its development partners, launched several pipeline projects to improve the electricity situation throughout the country. These include the World Bank funded Energy Access and Energy Sector Utility Reform Projects; IDB funded Low and Medium Voltage Network Improvement Project; the Japanese International Cooperation funded Transmission and Distribution Lines Project; and the West Africa Power Pool Project funded by the African Development Bank.

97. As part of regional efforts, ECOWAS provided a grant of US\$21.8 million to address emergency needs of the National Power Authority in the Western Area. Additionally, pipeline electricity generation arrangements with **Addax Bio-energy for 15MW and Cooperbelt Engineering Cooperation (CEC) for 128MW** to be delivered over a period of 18-36 months are underway to improve energy access in the Western Area.

98. The Power Sierra Leone Project that seeks to increase electricity generation capacity to 1,000 MW by 2017 was recently launched in the United Kingdom by the Minister of Energy. The energy sector strategy will focus on the deployment of additional thermal plants, development of hydro projects and solar power, rehabilitation and extension of the transmission and distribution network as well as energy sector reforms.

99. As part of this project, Government will issue a special "Electricity Medium-Term Bond" in tranches beginning 2015 to raise an amount of US\$106 million to fund the installation of power plants and transmission and distribution materials in provincial headquarter towns as approved by Parliament in July 2014.

100. In the meantime, an amount of Le68.2 billion is allocated from the domestic capital budget for the procurement and installation of thermal plants for provincial and district headquarter towns. An additional amount of Le 34.5 billion is allocated to

support the rebuilding of the National Transmission and Distribution Network; Le2.0 billion is provided to support the operations of the Barefoot College for improvement of solar energy; Le3.0 billion as Government contribution to the unbundling and restructuring of the electricity sector; and Le9.2 billion as contribution to the West Africa Power Pool Project.

101. Development partners including the ADB, European Union, World Bank, IDB and JICA are expected to provide an amount of Le106.6 billion to support energy sector projects.

102. **Trade, Finance and Investment:** An amount of Le16.9 billion is allocated to the **Ministry of Trade and Industry** to support the implementation of the local content policy to encourage local business ideas, strengthen the operations of the Sierra Leone Produce Marketing Company, including a provision of Le5.0 billion as capital for trade in agricultural products; support to consumer protection activities; and participation in regional trade integration programmes. Development partners will disburse Le11.6 billion to support the Rural Private Sector Development Project.

103. Government is also allocating an additional amount of Le1.3 billion from the domestic capital budget to the Ministry of Trade and Industry. Of this, Le500 million will support the reconstruction of the Standards Bureau Laboratory; and Le600 million as counterpart funds to donor funded private sector development and trade related projects. Development partners including the World Bank and the ADB will disburse Le12.1 billion to support the implementation of the Financial Sector Development Plan and institutional development and capacity building projects.

104. **Small and Medium Scale Enterprises (SMEs) Fund:** An amount of Le5.0 billion is allocated to operationalise the SME Fund in 2015. Additional resources from the proceeds from the Japanese Food Aid of about Le7.0 billion will be utilized to complement Government's allocation to the SME fund. The Fund will support training for SMEs, development of young entrepreneurs and improve access to affordable finance at preferential interest rates through the Community Banks and Financial Services Associations. Government will establish an independent agency to execute the SME fund. A National Steering Committee for SME development will be established comprising Ministry of Finance and Economic Development, Bank of Sierra Leone, Ministry of Trade and Industry, Office of the Chief of Staff, Sierra Leone Chamber of Commerce, Industry, and Agriculture, Sierra Leone Investment and Export Promotion Agency and the International Finance Corporation to implement a holistic SMEs development programme incorporating the SME Policy and the SME Fund. The committee will be co-chaired by the Ministry of Trade and Industry and the Ministry of Finance and Economic Development while the Bank of Sierra Leone will regulate the programme through the Apex Bank.

105. In addition, an amount of Le3.2 billion is allocated to the Sierra Leone Investment and Export Promotion Agency (SLIEPA) to facilitate investment and export promotion activities.

106. Mr. Speaker, Honourable Members, **the Ministry of Labour and Social Security** is allocated an amount of Le5.3 billion for various activities including enforcing labour regulations and review of the obsolete labour laws to enhance private sector development for job creation. In addition, Government is allocating Le 4 billion for cash transfers to the aged and vulnerable groups.

107. **The Ministry of Youth Affairs** is allocated an amount of Le4.7 billion in support of youth activities. In addition, Le 2.1 billion is provided from the domestic capital budget for the implementation of the National Youth Development and Empowerment Project. Government counterpart contribution to the World Bank funded Youth Employment Support Project amounts to Le 864 million. The World Bank will disburse Le 4.8 billion in support of this Project.

108. **Skills Development Fund:** Mr. Speaker, Honourable Members, significant skills gap exists in both the public and private sectors, which is adversely affecting private investments and public service delivery. It may interest you to know that, there are 201,000 motor bike riders (Okada) and 1,500 Ataya bases each with a membership of at least 50 compared to 621 graduates in engineering, medicine and mass communication over 2010-2014. Based on the estimate from the Ministry of Health, Sierra Leone needs 3,300 medical doctors. There are at present 386 doctors including only 9 Dental Surgeons in the country, leaving a gap of 2,914 doctors. The estimated number of nurses and mid-wives is 1,365. Analysis from the Ministry of Health indicate that an additional 8,615 nurses and mid-wives are required.

109. In an effort to address this imbalance between skills available and skills required, Government established the Skills Development Fund in 2014. The Fund will be operationalised in 2015 to support young, brilliant, and talented Sierra Leoneans to undertake highly specialized technical and vocational training programmes to fill the existing skills gap.

110. Already Le2.1 billion mobilized this year is ring-fenced for the Skills Development Fund. In addition, Le7.0 billion will be transferred from the proceeds from the Japanese Food Aid to the Skills Development Fund to support, among others, the establishment of a Young Engineers' Corps and access to advanced and specialized training for young medical graduates as well as roll-out a Young Professionals Internship Programme for university graduates.

111. Sierra Leone has recently accepted an invitation to join other ECOWAS countries in a Talent Mobility Partnership (TMP) programme. The emerging initiative in the sub-region, encourages the practice of moving human resources across member countries with a view to effectively acquire, align, develop and engage high performing talents to foster national development.

112. In this regard, a National Working Group has been set up comprising various Ministries, Departments and Agencies to oversee stocktaking and country assessments of critical skills gaps and limitations to the country's ability to harness optimum benefits from our ECOWAS Common Approach on Migration. The TMP will be used as a resource to broaden the focus on people development beyond jobs to include opportunities for strategic career development.

### **Pillar 6: Social Protection**

113. Mr. Speaker, Honourable Members, Government will implement a broad range of social protection measures in 2015 and beyond aimed at mitigating the social and economic impact of Ebola. These include, among others, a nation-wide school feeding programme, and cash transfers to Ebola Orphans and families affected by Ebola.

114. In this regard, the **Ministry of Social Welfare Gender and Children's Affairs** is allocated an amount of Le6.7 billion to support vulnerable groups, especially Ebola orphans and affected households. An amount of Le 2.4 billion is transferred to Local Councils in support of Social Welfare, Gender and Children's Affairs in local communities, to strengthen the child protection system.

115. **The National Commission for Social Action** is allocated an amount of Le759.5 million from the recurrent budget and an additional Le3.5 billion from the domestic capital budget to complement the support provided by the World Bank funded Social Safety Nets Programme; the IDB funded Sierra Leone Community Driven Projects; the ADB funded Social Action Project as well as support to the Government funded Reparation Programme. A total of Le 47.7 billion will be invested in protecting the vulnerable sections of society.

116. Development partners will disburse Le34.3 billion. Of this, the World Bank will disburse Le5.6 billion for the Social Safety Nets programme, KfW, Le9.8 billion for the Growth for Peace Consolidation, and the IDB, Le16.6 billion for the Sierra Leone Community Driven Development Project.

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

117. Mr. Speaker, Honourable Members, Government will continue its programmes to support good governance and public sector reforms to enhance the delivery of public services, including, strengthening national security and the fight against corruption. Accordingly, amounts allocated to the respective MDAs under this pillar are Police, Le67.8 billion; Defence, Le69.1 billion; Prisons, Le29 billion; National Fire Authority, Le7.9 billion, Judiciary, Le3.2 billion; Ministry of Foreign Affairs and International Cooperation, Le22.1 billion; Constitutional Review Secretariat, Le 2.5 billion; and Audit Service Sierra Leone, Le4.7 billion. The Anti-Corruption Commission will receive Le4.2 billion for the roll-out of the National Anti-Corruption Strategy.

118. The House of Parliament is allocated Le6.9 billion from the recurrent budget and Le7.8 billion from the domestic capital budget to the Constituency Development Fund for rural infrastructure projects.

119. To sustain, coordinate, and supervise the decentralization process, the **Ministry of Local Government and Rural Development** is allocated Le1.6 billion. As indicated earlier, a total of Le89 billion will be transferred to local councils to support the delivery of Health, Education, Agriculture, Social Welfare and Water and Sanitation Services at the community level.

120. **Statistics Sierra Leone** is allocated an amount of Le8.8 billion and an additional Le3.0 billion for the conduct of the delayed National Population and Housing Census and Le 1.0 billion for the preparatory activities for the third Sierra Leone Integrated Household Survey to be implemented in early 2016.

121. **The National Public Procurement Authority** is allocated an amount of Le2.4 billion for monitoring of procurement contracts among other activities. An amount of Le2.0 billion is allocated from the domestic development budget for the construction of a Public Service Academy.

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

122. Mr. Speaker, Honourable Members, to address the emerging effects of the Ebola outbreak on women, an amount of Le2 billion will be provided to operationalise the Women and Youth Empowerment Fund in 2015. Development partners, in particular, the UK-DFID, have affirmed their commitment to support this Fund. The fund will be used to support women assimilation into active post Ebola economic activities.

123. In furtherance of the policy of empowering women, 30 percent of all Government-funded procurement transactions should go to women. Ministries, Department and Agencies should report on this through the annual public performance contract process and the National Public Procurement Authority.

## **XII. BUDGET DEFICIT AND FINANCING GAP**

124. Mr. Speaker, Honourable Members, the overall budget deficit including grants, is projected at Le1.3 trillion (5.4 percent of GDP). Net foreign financing from project and programme loans will amount to Le710.4 billion. Domestic financing will amount to Le449.5 billion.

125. Mr. Speaker, Honourable Members, even under the best case scenario (low Ebola), there is a projected uncovered financing gap of about US\$37.2 million or Le161.1 billion to support the allocations I have just announced. In this regard, Government would seek additional external support to close this gap during the course of 2015.

126. In the event additional resources are not realised (i.e. if the uncovered financing gap of US\$37.2 million is not closed), the allocations to MDAs would be revised accordingly. Thus, the Appropriation Bill is divided into two columns: allocations with a funding gap and allocations without a funding gap. The current allocations announced are based on the assumption that the funding gap will be filled.

### **XIII. RISKS TO THE 2015 BUDGET**

127. Mr. Speaker, Honourable Members, as indicated earlier, economic prospects for 2015 and beyond are highly uncertain due to the unpredictability of the duration of the Ebola disease and external risks. These risks may impact negatively on budget execution and the performance of the economy. In our case, risks specific to Sierra Leone are described below.

First, the prolonged spread of the Ebola disease will further disrupt economic activities, undermine domestic revenue collection, increase Ebola-related expenditures and divert budgetary resources from other productive activities to fight the epidemic. In such a situation, Government will further scale back the domestic capital budget and re-prioritise discretionary expenditures accordingly.

Second, volatility in global commodity prices, notably iron ore, will complicate budget management. Iron ore prices have already dropped by 28.2 percent, from US\$120.4 in quarter one to US\$80 per metric ton in quarter four. Further fall in iron ore prices will undermine the collection of royalties, which in turn will pose a significant risk to the implementation of the budget.

Finally, geo-political developments in the middle-east and impact on oil production may result in higher crude oil prices that could complicate the execution of the budget with subsidies for petroleum products.

128. To manage and mitigate these risks, the following action will be adopted

- (i) Government and the international community will intensify efforts to rapidly contain the spread of the Ebola epidemic in order to restore confidence for local and foreign investment activities to resume;
- (ii) Government to continue engaging development partners to seek additional budget and balance of payments support to cover the emerging fiscal and balance of payments financing needs;
- (iii) Government to continue enhancing tax administration to address the new revenue collection challenges, particularly through measures aimed at curbing tax evasion, strengthening controls, and reducing duty waivers; and

- (iv) Government to continue to monitor the stock levels and prices of strategic commodities especially rice and petroleum products and support the private sector to ensure uninterrupted supply of these communities.

#### **XIV. CONCLUSION**

129. Mr. Speaker, Honourable Members, the Ebola outbreak has thrown our country into an environment of high uncertainty. Unless on-going efforts are enhanced and sustained to contain the outbreak, the policies and programmes announced in this budget will not be implemented. Therefore, the successful implementation of this budget hinges on the collective and concerted effort of all Sierra Leoneans, and the support from our development partners to end this epidemic.

130. In concluding this statement, I wish to thank my colleague Ministers, the Minister of State, Deputy Minister, Financial Secretary and staff of the Ministry of Finance and Economic Development. The Governor, management and staff of the Bank of Sierra Leone also deserve our gratitude. The Commissioner General, Management and staff of NRA deserve special commendation for their sustained effort in maximising domestic revenue mobilisation during these trying times.

131. Mr. Speaker, I would like to thank the Chairpersons of the Finance and Transparency Committees of Parliament, District Budget Oversight Committee Members, Non-State Actors, members of the print and electronic media who participated in the open budget discussions. The contributions and insights provided by all of them were important in guiding the budget proposals I have presented to this House. As usual, the Government Printer and staff produced the printed Statement and Estimates on time.

132. Finally, Mr. Speaker, Honourable Members, as I am closing this statement, allow me to share this thought that the tomorrow of today will be the yesterday of another day. In other words, the aspirations and challenges of the present generation will become the history of a succeeding one. This budget has, therefore, been developed by Government to bring about economic recovery, and strengthen social protection systems.

133. The successful implementation of this budget will go a long way to mitigate the impact of the Ebola outbreak and improve livelihoods. It is the beginning of the development of a holistic strategy to put the economy once again on its feet after Ebola. It behooves us therefore, to rally behind this budget, and to fight together to bring Ebola to an end. I, therefore, commend it to the House.

134. I thank you for your attention.



GOVERNMENT OF SIERRA LEONE

# GOVERNMENT BUDGET

and

# STATEMENT OF ECONOMIC AND FINANCIAL POLICIES

*For the Financial Year, 2015*

*Theme: "Restoring Livelihoods for Post Ebola Economic and Social Recovery"*

DELIVERED BY

**DR. KAIFALA MARAH**

*Minister of Finance and Economic Development*

**in the Chamber of Parliament**

TOWER HILL, FREETOWN

ON

**Friday, 14th November 2014**

at

**10:00 a.m.**