



GOVERNMENT OF SIERRA LEONE

GOVERNMENT BUDGET

and

STATEMENT OF ECONOMIC AND FINANCIAL POLICIES

For the Financial Year, 2016

Theme: "Strengthening Resilience and Building a Diversified Economy"

DELIVERED BY

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in the Chamber of Parliament

TOWER HILL, FREETOWN

ON

Friday, 6th November 2015

at

10:00 a.m.

MR. SPEAKER, HONOURABLE MEMBERS

I. INTRODUCTION

1. Mr. Speaker, Honourable Members, I rise to move that the Bill entitled “ *The Appropriation Act 2016*” being an Act to authorise expenditure from the Consolidated Fund for the services of Sierra Leone for 2016, be read for the first time.

2. Mr. Speaker, Honourable Members, about this same time last year, we presented the 2015 Budget and Statement of Economic and Financial Policies to this noble House. At that time, the deadly Ebola Virus Disease (EVD) was spreading to all parts of the country. As such, the 2015 Budget was predicated on two scenarios; the low and high Ebola, with greater emphasis on the low Ebola scenario. Unfortunately, Ebola has lingered on to date even as we have gone for forty one days of zero infections. The longer-than anticipated duration of Ebola adversely affected the performance of the economy in 2015.

3. The traditional growth driving sectors - agriculture, construction, manufacturing, tourism, transportation and trade, have been severely disrupted during the period. The situation is exacerbated by three shocks: (i) the collapse of iron ore prices from an average of US\$96 in 2014 to US\$56 in September 2015; (ii) the resultant

closure of the two iron ore mining projects; and (iii) the recent floods across the country.

4. Iron ore exports, a major source of fiscal revenues, foreign exchange and employment ceased during 2015. Given these developments, the economy is projected to contract by 21.5 percent in 2015 with the widening of fiscal and balance of payment financing gaps.

5. Mr. Speaker, Honourable Members, the current lull in the iron ore mining sub-sector disrupted the inflow of foreign exchange, resulting in depreciation of the Leone against the US Dollar by 13.8 percent in 2014, and has further depreciated by 13 percent as at end October 2015. National inflation rose to 7.9 percent in December 2014 and further to 8.4 percent in September 2015 due to disruptions in the supply of basic goods and the recent depreciation of the exchange rate.

II. Actions and Measures to Mitigate the Impact of Ebola

6. Mr. Speaker, Honourable Members, despite the unprecedented adverse effects on the economy in general, and the budget in particular, Government undertook several actions and measures to mitigate its impact of Ebola on Sierra Leoneans. First, Government continued the timely payment of salaries to all public sector workers, including a 15 percent pay rise implemented in

July 2015. Second, Government provided about Le42.6 billion to facilitate the re-opening of schools in April 2015. Of this, Le9.5 billion was spent for the fumigation of all public schools and the provision of basic sanitary facilities; Le19.3 billion for an expanded school fees subsidy programme for about one million pupils in Government and Government assisted primary to senior secondary schools; and Le13.8 billion as advance payment for the procurement of teaching and learning materials and text books for all schools. Third, with decline in infections and improved capacity to manage the crisis, work on all infrastructure projects resumed throughout the country with associated payments to contractors.

7. In addition to these efforts, National Commission for Social Action (NaCSA), with support from the World Bank and other Partners, implemented the following Social Safety Nets Programme:

- (i) The Rapid Ebola Social Safety Nets Programme, targeting about 9,000 Ebola-affected households in Kailahun, Kenema, Bo, Tonkolili and Port Loko districts and the Western Area Rural districts;
- (ii) Cash transfer to over 23,00 extremely poor and vulnerable households under the regular Social Safety Nets Programme; and

(iii) The Conditional Cash Transfer scheme taught 12,000 youth in Moyamba, Bombali, Kono and Western Area Rural districts.

8. During the early period of the Ebola outbreak, Councils were allowed to re-programme grants for devolved functions to respond to the fight against EVD. Key interventions include: supply of chlorine, buckets, sanitary items and disinfectants to health facilities; training of District Health Management Teams (DHMTs) on Ebola care and prevention; intensive awareness-raising and sensitization campaigns in schools, markets, religious places and other public gatherings; door-to-door social mobilization. Le10.7 billion was provided for salaries of core staff of Local Councils, including payment of fees and transport allowances for Councillors.

9. Mr. Speaker, Honourable Members, the Road Maintenance Fund Administration provided about Le85 billion to finance new projects, including: (i) rehabilitation of Weima Bridge and improvement of 40 km of feeder roads; (ii) rehabilitation and maintenance of rural feeder and township roads in all 19 Local Councils; (iii) rehabilitation of Kissy Road, Fourah Bay Road, Mountain Cut and Macauley Street; and (iv) overlay of 14.4km of selected streets in Freetown.

10. Mr. Speaker, Honourable Members, we remain grateful to the International Monetary Fund (IMF) and our budget support partners, including the World Bank, the African Development Bank, the European Commission and the United Kingdom Department for International Development (UK-DFID), who scaled up support to mitigate the impact of Ebola on the budget. In particular, thanks to the IMF for providing additional financial support of US\$72.9 million through augmentation of access under the Extended Credit Facility (ECF) programme to cover the budgetary and balance of payments financing gaps, as well as improve our foreign exchange reserves position. The IMF also provided a debt relief grant under the Catastrophic Containment and Relief Trust amounting to US\$29.2 million to create additional fiscal space. This brings the total support, to US\$114.6 million, including the normal ECF balance of payments disbursements of US\$12.5 million as at March 2015.

11. Through our collective efforts as Government and development partners, we have been able to control the spread of Ebola and cushion its impact on our people. With this support, Sierra Leone is on track to be declared Ebola free tomorrow, November 7, 2015. Let me take this opportunity to thank the UN family, bilateral partners, multilateral financial institutions, international NGOs, civil society and the private sector for standing by the people of Sierra Leone during this difficult time.

12. In anticipation of an Ebola-free Sierra Leone, Government with support from development partners has developed a National Ebola Recovery Strategy which I will now outline.

III. The National Ebola Recovery Strategy (NERS)

13. Mr. Speaker, Honourable Members, the National Ebola Recovery Strategy aims to put the economy back on the track of growth and macroeconomic stability. The strategy focuses on three elements: (i) getting to and staying at zero new cases; (ii) implementing immediate recovery priorities; and (iii) transitioning back to our national development plan- *the Agenda for Prosperity (A4P), 2013-18*. The implementation of the strategy is, therefore, divided into two phases:

- (i) the immediate recovery phase (6-9 months) focuses on the priorities of getting to zero infection rates, the re-opening of schools, providing social protection support to the vulnerable such as Ebola survivors, orphans, widows and widowers as well as private sector development, including agriculture, to support economic recovery; and
- (ii) the medium term recovery (10-24 months) focuses on maintaining a resilient zero, education, energy, water supply, social protection, and private sector development consistent with the Presidential

priorities for the recovery of the economy. The House of Parliament may wish to note that the 2016 Budget I am about to announce is, therefore, aligned with the 24 months recovery phase.

14. Mr. Speaker, Honourable Members, in July this year, the Ebola Recovery Strategy was presented to our development partners at the International Conference on Ebola in New York. Pledges estimated at US\$867 million were made by partners to support the implementation of the NERS. It should, however, be noted that most of these pledges constitute old commitments that were repackaged. In particular, the World Bank, the African Development Bank (AfDB) and the European Union (EU) pledged resources based on their on-going IDA, ADF and EDF allocations, respectively. The Islamic Development Bank (IDB) also pledged support to infrastructure and other sectors for ongoing and pipeline projects including the Pendembu-Kailahun road, and the planned Kambia-Kamakwei road.

15. The United Kingdom (UK) announced a two-year new package of £240 million to support the NERS as follows: boosting capability to respond to future Ebola outbreaks; generating sustained economic growth through investment in the private sector, which will create jobs and open up markets for UK businesses; improving basic services such as healthcare and creating opportunities for girls and women; and improving

governance including the capacity of the public sector to deliver services and to increase transparency and accountability. Budget support will constitute about 10 percent of this amount. While the UK support is aligned to Government priorities and is expected to free up fiscal space, the funds will not, however, go through Government systems, meaning it will be delivered off-budget.

16. The AfDB has committed US\$40 million through an Ebola Recovery Social Investment Fund, targeting communities in the three Ebola affected countries of Guinea, Liberia and Sierra Leone to provide selected basic social services, restoration of livelihood and economic opportunities. Sierra Leone will receive about US\$13 million from this Fund.

17. To access resources estimated at US\$85 million pledged by Japan, Belgium, Azerbaijan, China, Ireland, Netherlands, Republic of Korea, Russia, Spain and Turkey, the Ministry of Finance and Economic Development is currently working with the United Nations to establish the Sierra Leone Ebola Recovery Fund (SLERF) that will encourage development partners to pool these resources, as well as, put Government in the driving seat in allocating resources to national priorities.

18. Mr. Speaker, it must be reiterated that while the pledges made at the International Ebola Conference are aligned to the NERS priorities, most of these resources will not be channeled through the Government systems but mainly through UN agencies and international Non-Governmental Organisations as was the case during the response phase of the Ebola outbreak.

19. Mr. Speaker, within 4 of the 9 months of the immediate recovery phase, I am happy to inform this House that: 12,300 HIV patients are receiving treatment (91 percent of target); 2,500 EVD survivors are now receiving free health care treatment (this is over 60 percent of the target); 9,000 schools participating in the accelerated learning programme (this is 100percent of the target); school fees have been waived for about 1.1m children across the country (this is over 90 percent of the target); 69,000 farmers are receiving seeds (98percent of the target); 1200km of feeder roads constructed (92 percent of the target); 68 Financial Services Associations and Community Banks recapitalized (100 percent of target); and 31,600 vulnerable households are receiving income support (63 percent of target).

IV. THE AGENDA FOR SUSTAINABLE DEVELOPMENT GOALS (SDGs)

20. Mr. Speaker, Honourable Members, the adoption of the Sustainable Development Goals by the United Nations General Assembly in September 2015 reminded us of the vulnerabilities of our economies as low income countries. These vulnerabilities include: undiversified economies; poverty; income inequality, illiteracy, disease, conflicts, environmental degradation and climate change, and gender disparity. The 17 Sustainable Development Goals (SDGs) and its 169 targets, which will come into effect on 1st January 2016, seek to build on the Millennium Development Goals (MDGs), especially on what was not achieved in the last 15 years. The SDGs are integrated and interrelated and reflect the economic, social and environmental aspects of sustainable development until 2030, which is close to Sierra Leone's target date of becoming a Middle Income Country.

21. Mr. Speaker, Honourable Members, the SDGs are anchored around five interrelated pillars: (i) people-centred and sustained poverty reduction development; (ii) planet-preserved development; (iii) prosperity-for-all development; (iv) peaceful, just and inclusive development; and (v) partnership-driven development utilizing the potential of all. These inter-related elements constitute the sustainable development system that the world aspires to achieve by 2030. Countries are urged to

immediately begin harmonizing the SDGs with regional, sub-regional and national plans. Thankfully, our Agenda for Prosperity and to a large extent, the NERS is aligned with the SDGs.

22. Mr. Speaker, therefore as a first step to domesticate the SDGs, we have developed a simplified version of the SDGs illustrating the linkage between the 17 SDGs and the eight pillars of the Agenda for Prosperity.

23. As global efforts deepen to develop a results framework for monitoring progress of the SDGs, data stands prominent. The Post-2015 Data Test report on selected countries, including Sierra Leone recommends that issues relating to the quality, accessibility and affordability of data should be urgently addressed so as to measure progress on the post-2015 Agenda. We will bear this in mind as we conclude our SDGs implementation plan.

V. GLOBAL AND REGIONAL ECONOMIC OUTLOOK

24. Mr. Speaker, Honourable Members, global growth is projected to increase from 3.1 percent in 2015 to 3.8 percent in 2016, reflecting stronger performance in both emerging and advanced economies. In advanced economies, higher growth reflects a strong recovery in Japan, USA and the Euro Zone. Growth in emerging

markets and developing economies, including Brazil and Russia, remains weak, but expected to recover in 2016. In China, growth is projected to decline to 6.8 percent in 2015 and 6.3 percent in 2016 due to moderation in investment, especially in residential real estate. The slowing of the Chinese economy has implications for exporters of primary product especially minerals from Sub-Saharan Africa. Sierra Leone is particularly hard-hit by the slump in prices for our main export commodity, iron ore.

25. In its latest African Economic Outlook, the IMF forecasts growth in sub-Saharan Africa of 3.8 percent in 2015, the slowest growth in six years. Low oil and commodity prices, together with a slowdown in China are the main reasons for the slow growth. In 2016, the report forecasts growth of 4.3 percent for Sub-Saharan Africa.

26. Global inflation is projected to decline in 2015 in advanced economies, reflecting the impact of lower oil prices but to rise in 2016 and beyond. In emerging and developing economies, excluding Venezuela and Ukraine, inflation will decline from 4.5 percent in 2014 to 4.2 percent in 2015 and is projected to decline further in 2016.

VI PERFORMANCE UNDER THE IMF EXTENDED CREDIT FACILITY (ECF) SUPPORTED PROGRAMME AND THE WORLD BANK COUNTRY POLICY AND INSTITUTIONAL ASSESSMENT (CPIA)

27. Mr. Speaker, Honourable Members, despite the difficult environment caused by the EVD, Government continues to make significant progress in the implementation of the economic and financial programme supported by the IMF through the Extended Credit Facility (ECF). The first review under the ECF was successfully concluded by the Executive Board of the IMF in June 2014, following satisfactory programme performance. The IMF Board also concluded the second review in March 2015, as all six quantitative performance criteria were met as at end June 2014.

28. Programme implementation became challenging in the second half of 2014. Technical discussions on the third review held in Paris to assess programme performance for end December 2014 revealed that performance was weaker than anticipated, mainly due to Ebola-related factors. In particular, the three key performance criteria were not met even though the continuous performance criteria were observed. The third review was therefore delayed to allow Government to implement corrective measures during the first half of 2015, in order to bring the programme back on track.

29. To this end, Mr. Speaker, Government pursued fiscal consolidation during the first half of 2015, through enhanced revenue collection and expenditure restraint. As a consequence, programme performance was back on track. The combined third and fourth review undertaken by the IMF and Government during September, 2015 for end June 2015, showed that all the Quantitative Performance Criteria were met.

30. On the basis of this satisfactory performance and following the review of the impact of the iron ore shocks on the 2015-16 fiscal outlook, Government has requested the IMF Executive Board to consider an increase in financial assistance under the programme by about US\$67.7 million to support budget implementation during 2015 and 2016. Subject to the successful completion of the third and fourth reviews by the IMF Executive Board, the first tranche disbursement of US\$22.6 million is expected this November.

31. Additionally, despite the challenges posed by Ebola, Sierra Leone also maintained the score of 3.3 under the World Bank's Country Policy and Institutional Assessment (CPIA) rating for 2014 with an improvement in the average score for Policy and Institutions for Environmental Sustainability.

32. Furthermore, under the Performance Assessment Framework (PAF) of the Multi-Donor Budget Support partners, Government met nine out of the eleven indicators with 82 percent in 2014 an improvement from 54 percent in 2013. Challenges however, remain with the implementation of audit recommendations by MDAs. In this regard, Government will provide an incentive of Ten Million Leones to the first Vote Controller who is able to implement such recommendations and a certificate of Public Propriety will be awarded by His Excellency, the President.

VII. BUDGETARY PERFORMANCE IN THE FIRST HALF OF 2015

33. Mr. Speaker, Honourable Members, notwithstanding the continued shutdown of the iron ore sector, the gradual recovery in the other sectors of the economy contributed to improved domestic revenue collection in the first half of the year. The Goods and Services Tax (GST), Income Tax, and Customs and Excise Duties picked up, supported by stringent tax enforcement as the non-iron ore economy recovers.

34. Total domestic revenues collected in the first half of 2015 amounted to Le 1.17 trillion or 5 percent of non-iron ore GDP, which was Le112 billion above the budgeted amount. Collections from Income Tax were Le445 billion compared to a target of Le421 billion, indicating an

excess of Le24 billion. Goods and Services Tax was also above target by Le32 billion with total collections of Le297 billion. Customs and Excise Department collections amounted to Le282 billion compared to a target of Le257 billion, also above target by Le25 billion.

35. Mines department collections of first half 2015 amounted to Le42.3 billion compared to a target of Le39 billion, recording an excess over target by Le3.3 billion. Revenues collected from other departments were Le23.9 billion above target with collections amounting to Le60.8 billion. Road User Charges and Vehicle Licenses amounted to Le46.4 billion compared to a first half target of Le43.6 billion.

36. Total revenue is expected to amount to Le2.18 trillion in 2015. However, compared to the original target of Le2.39 trillion, there will be a revenue loss of Le260.3 billion including the deferral of the repayment of the Sierra Rutile Loan of Le 51.6 billion for 2015.

37. While not yet enough to warrant revising the 2016 revenue forecast, this recent good performance does provide some basis for cautious optimism. In this regard, let me congratulate the National Revenue Authority Board, Commissioner-General and staff for this impressive performance.

38. Total Grants received for the first half of 2015 amounted to Le640.3 billion. Of this, budget support amounted to Le275.4 billion compared to a target of Le454.8 billion.

39. Total Expenditure and Net Lending for the first half of 2015, amounted to Le2.28 trillion compared to a budgeted amount of Le2.08 trillion. The wage bill was Le744.5 billion for the first half of 2015, within the budget ceiling. It is projected to reach Le1.6 trillion which is Le30.1 billion above the budgeted amount for 2015. This is on account of the implementation of the 15 percent salary increase for all public workers that came into effect in July 2015.

40. Total interest payments amounted to Le86.6 billion for the first half of 2015 compared to a budget of Le117.2 billion budgeted, recording a savings of about Le31 billion. Interest payments are projected to amount to Le189.9 billion by end December 2015 compared to the revised budget of Le234.7 billion, resulting in projected annual savings of Le44.8 billion mainly due to lower interest rates on treasury bills and bearer bonds.

41. Non-salary, non-interest recurrent expenditures amounted to Le498.8 billion during the first half compared to a target of Le515.3 billion representing under spending of about Le16.4 billion due to the lower than projected spending on Goods and Services. Non-salary, non-

interest recurrent expenditures are projected to reach Le1.04 trillion by end December 2015. Of this, Goods and Services expenditures are projected to amount to Le692 billion while transfers are projected to amount to Le344.5 billion.

42. Grants to educational institutions amounted to Le68.2 billion in the first half of 2015 and projected to reach Le137 billion by end December 2015.

43. Poverty related expenditures amounted to Le356.9 billion compared to the target of Le570 billion, a shortfall of about Le213.1 billion. This was due to the lower than projected spending on non-salary, non-interest recurrent expenditures and domestic capital expenditures given the lull caused by Ebola in the economic and social sectors.

44. Transfers to Local Councils from the recurrent budget are projected to amount to Le89.8 billion in 2015.

45. Domestic capital expenditures amounted to about Le300 billion for the first half of 2015.

46. Total expenditure for the year is expected to amount to Le4.38 trillion compared to the original budget of Le 4.45 trillion.

47. Mr. Speaker, the Ebola epidemic and global commodity price downturn, especially for iron ore, represents exceptional external shocks beyond the control of Government. Total primary expenditure will amount to Le3.6 trillion in 2015 compared to the original budget of Le 3.3 trillion. As a consequence, an unanticipated financing gap emerged, estimated at Le 601 billion. The primary fiscal deficit is projected to widen to 5.5 percent of GDP, compared to the initial ceiling of 3.5 percent. The financing gap will be filled by the IMF augmented resources of US\$ 22million and budget support by the World Bank of US\$ 30 million, the AfDB US\$25million and the European Union € 25million.

48. Domestic financing of the budget for the first half of 2015 amounted to Le299.6 billion compared to a target of Le332.2 billion. Of this, bank financing amounted to Le317.4 billion of which Central Bank financing amounted to Le157.6 billion and Commercial Banks, Le 159.7 billion. This financing was partially offset by significant redemption of securities held by the non-bank public amounting to Le17.8 billion. Domestic financing is now projected at Le 733 billion in 2015 compared to Le 401.9 billion in the original budget.

VIII. POLICY REFORMS: PROGRESS IN IMPLEMENTATION AND PLANS FOR 2016

49. Mr. Speaker, Honourable Members, although the Ebola outbreak stalled implementation of reforms, nonetheless, progress was made in certain critical reforms as described below.

Public Financial Management Reforms

50. Mr. Speaker, to enhance accountability and efficient allocation and use of public funds to achieve poverty reduction and inclusive growth, the final draft of the 2015 Public Financial Management (PFM) Bill, replacing the Government Budgeting and Accountability Act 2005, was gazetted and submitted to this Honourable House. The PFM Bill before Parliament, is a modern and progressive piece of legislation that generally reflects good practice among developing countries that have successfully improved public financial and fiscal management. Its architecture requires significant levels of openness and transparency and institutionalises accountability between the Executive and Legislative arms of Government.

51. The Bill, when enacted, will reinforce budget discipline and credibility, evidenced by reduction in the variance between actual and original budgeted primary expenditures. Government recognises the initial concerns

raised by stakeholders and we stand ready to address all legitimate concerns so as to ensure the passage of this Bill on a timely basis.

52. The establishment of the Treasury Single Account (TSA) is also far advanced and expected to go live by the end 2015. The TSA is a set of unified and linked accounts through which the Government tracks all revenues and payments to give a consolidated view of Government cash position. The unified Government bank accounts, via a TSA, will facilitate better fiscal coordination and reconciliation of fiscal information. A Ministerial Committee to oversee the implementation of the TSA will soon be established.

53. Mr. Speaker, to improve financial controls, accountability and oversight, the number of MDAs processing transactions in real-time using the Integrated Financial Management Information Systems (IFMIS) will be increased from 22 in 2015 to 35 in 2016. Furthermore, two Local Councils will pilot processing transactions in real-time using the Petra Financial Package currently used for recording and reporting financial transactions to improve financial management and accountability in Local Councils.

54. To improve the effectiveness and monitoring of public expenditures, the Ministry of Finance and Economic Development introduced an activity- based

Budgeting two years ago departing from the traditional line-item Budgeting. To enhance participation in budget planning, non-state actors and development partners participated in bilateral budget discussions on the 2016 budget. To deepen the process, each MDA provided five measurable targets in their 2016-18 strategic plans on which performance will be assessed, and to be held accountable by oversight bodies, including the House of Parliament, our development partners and non-state actors.

55. A Ministerial Budget Committee has also been established to improve sectoral coordination, government-wide strategic planning, and effective budget implementation feedback mechanism.

56. In a far more strategic way, Mr. Speaker, I wish to seek your permission to kindly welcome select school children from all 14 districts of the country to this Chamber as a demonstration of our child participation initiative. Thanks to UNICEF.

57. Mr. Speaker, Honourable Members, in 2012, when Sierra Leone took part in the Open Budget Survey for the first time, we scored 39 out of 100. In 2015, we scored 52 out of 100, better than Ghana and Liberia, and higher than the global average of 45. The survey report also confirmed that Budget oversight by the supreme audit institution in Sierra Leone is adequate, for which Sierra Leone scored 67 percent.

58. The Internal Audit function of Government is also being strengthened through the establishment of functional internal audit units in forty MDAs and the nineteen local councils. An Internal Audit Manual for Local Councils has been completed while the existing Internal Audit Manual for Central Government has been reviewed. An Internal Audit Bill has also been drafted to strengthen the mandate of internal audit and address some of the challenges undermining the effectiveness of internal controls in the public sector.

Financial Sector Reforms

59. Mr. Speaker, Honourable Members, to secure a sound and stable financial sector and reduce the high incidence of non-performing loans, the Bank of Sierra Leone, in collaboration with the Ministry of Finance and Economic Development and the National Commission for Privatisation (NCP), put in place a resolution mechanism for the adversely affected banks as a temporary measure. In this regard, the Bank continues to strengthen its supervisory role by moving into risk-based supervision, strengthening the capacity of staff to undertake stress tests of the banking sector.

60. The Bank of Sierra Leone is also far advanced in piloting a number of bills for enactment by this honorable House. These include:

- (i) the Borrowers and Lenders Bill that seeks to improve access to credit by widening the scope of collateral usable by borrowers in a bid to obtain credit from lending institutions operating in the financial sector;
- (ii) the Security and Exchange Bill which, when enacted, will create the enabling environment required for the Bank to cede its current regulatory and supervisory role of the Stock Exchange to the Securities and Exchange Commission (SEC). The Bill will also provide for an increased supply of long term capital, through the Stock Exchange, to promote private sector led growth as well as deepen the financial system; and
- (iii) the Collective Investment Bill that seeks to support the establishment and operation of collective investment schemes with a view to derive benefits through synergy.

61. Given their strategic importance in supporting growth and employment, particularly in the rural areas, the Bank of Sierra Leone, in collaboration with the Ministry of Trade and Industry and our development partners, is working out a funding mechanism targeting Small and Medium Enterprises (SMEs). The target group of SMEs are those involved in production, marketing and agro-based industrial activities.

62. Guidelines on Mobile Financial transaction have also been developed and circulated to institutions currently operating mobile financial services in Sierra Leone, including Airtel Money, Africell Money, Splash and the commercial banks.

63. The Bank of Sierra Leone will continue to implement the banking supervision software project: Regulatory Compliance and Supervision System known as V-RegCoSS which aims at strengthening off-site surveillance of commercial banks and improving on the activities of the Credit Reference Bureau. The Bank is in the process of finalising the Base Rate Model aimed at reaching a consensus framework for all banks to use in determining minimum lending rate.

64. Mr. Speaker, the Bank of Sierra Leone in collaboration with the Sierra Leone Association of Commercial Banks, with support from the World Bank under the Financial Sector Development Programme, is currently pursuing the establishment of a National Switch. This will interconnect all banks such that financial transactions can be done easily using Automated Teller Machine (ATM), Point of Sales (POS) and other products. The objective is to enhance the speed, efficiency and security of financial transactions, including payment of utility bills and revenue collection throughout the country.

Public Sector Reforms

65. Mr. Speaker, Government is also making progress in public sector reforms, especially under the World Bank-funded Pay and Performance Project. These include filling about 805 priority vacancies in the Civil Service and the mainstreaming of Local Technical Assistants (LTAs) who are serving in key positions in the Civil Service. Performance Management Contracts for civil servants from Grade 11 and above have also been designed and administered by the Cabinet Secretariat.

IX MEDIUM-TERM ECONOMIC OUTLOOK, 2016-2018

66. Mr. Speaker, Honourable Members, with the possibility that the external environment might turn even less favourable, risks to the short-term economic outlook remains on the downside. With the continuing uncertainty in the iron ore sector, Gross Domestic Product (GDP) is projected to remain largely unchanged in 2016. However, with gradual recovery in the other sectors, non-iron ore GDP is projected to grow by 1.3 percent in 2016.

67. On the assumption that the Ebola Virus Disease is eradicated and iron ore mining resumes, the economy is projected to recover strongly with a real GDP growth of 19.6 percent in 2017 and 17.5 percent in 2018. Similarly, the non-iron ore economy will continue to grow by an average of 4.5 percent in 2017 and 2018.

68. Given this expected recovery, domestic revenue is projected to improve to 10.7 percent of GDP in 2017 and further to 11.1 percent of GDP in 2018. Total expenditure and net lending is projected to decline to 19.0 percent of GDP in 2016 and to average 17.7 percent of GDP in 2017 and 2018 as fiscal consolidation takes effect.

69. The overall budget deficit, including grants, is projected to reduce from 5.2 percent of GDP in 2016 to an average of 3.3 percent of GDP in 2017 and 2018.

70. Inflation is projected to decline to a single digit of 9.5 percent in 2016 and 2017 and further down to 8.5 percent in 2018.

71. The current account deficit, including grants, is projected to improve from 13.5 percent of GDP in 2015 to 12.1 percent of GDP in 2016 due to anticipated increase in donor support. The deficit will further reduce to 10.9 percent of GDP in 2017 and 8.2 percent of GDP in 2018.

72. Gross foreign exchange reserves are programmed at 3.6 months of imports for the medium-term.

X. MACROECONOMIC POLICIES FOR 2016

73. Mr. Speaker, Honourable Members, Government will implement a mix of fiscal, monetary, exchange rate

and debt policies to achieve the 2016 macroeconomic objectives as described below.

Fiscal Policy

74. Mr. Speaker, the key objective of fiscal policy in 2016 is to ensure fiscal sustainability through enhanced domestic revenue mobilization and expenditure rationalization to maintain macroeconomic stability and lay the foundation for sustainable economic growth and poverty reduction. In 2016, revenue performance may be undermined if the crisis in the iron ore sector continues. To address this, enhanced revenue administration measures will be implemented to ensure the effective functioning of Government.

Monetary Policy

75. Mr. Speaker, Honourable Members, the primary objective of monetary policy is to achieve and maintain a low and stable inflation environment conducive to high and sustainable economic growth. To this end, the Bank of Sierra Leone remains committed, through proactive monetary policy management, to deliver inflation at the targeted level of 9.5 percent at the end of 2016. Thus, the Bank will continue to rely heavily on indirect instruments such as Open Market Operations (OMO) designed to deepen and enhance the efficiency of the inter-bank money market.

76. Mr. Speaker, inflationary pressures in 2016 will continue to be driven by supply shocks and movements in the exchange rate. To mitigate the impact, monetary policy will focus on responding to the second round effects of these shocks on domestic prices.

Exchange Rate Policy

77. Mr. Speaker, Honourable Members, the exchange rate will continue to be market-determined. In this regard, interventions in the foreign exchange market will be limited to smoothening short-term volatility in the exchange rate.

Public Debt Policy

78. Mr. Speaker, Honourable Members, Government will continue to implement prudent debt management policies to support the implementation of the National Ebola Recovery Strategy in the context of the *Agenda for Prosperity*. In the past, Government prioritised the mix of grant and highly concessional loans to fund socio-economic development programmes. However, the changing global financial architecture characterised by the sustained decline in global interest rates, means that these types of resources are now hard to come by. Additionally, in compliance with the IMF external debt limit policy, Government borrowing space to finance mega project is limited. In this context, Government will

embark on innovative sources of financing including mobilisation of non-traditional resources to finance development programmes. Furthermore, Government will also support the development of the domestic capital market to raise additional sources to complement external resource inflows.

79. Mr. Speaker, huge resources are required to amortise and service our external debt. As a consequence, Government is in arrears of its contributions and subscriptions to International Organisations. Despite recent efforts to amortise these arrears they remain high at US\$48.9 million. Of this, US\$23 million is owed to Tier 1 organisations including the African Development Bank, the Islamic Development Bank, the World Bank, the UN Regular Budget and other Subsidiary Bodies. US\$25 million is owed to Tier 2 organisations including the Commonwealth Foundation, the International Fund for Agricultural Development, and Tier 3 organisations including UNIDO and FAO.

80. Going forward, Government will negotiate amortisation plans with these organisations to clear arrears while meeting the current obligations on especially Tier 1 and Tier 2 organisations as they fall due.

81. To strengthen our voice and participation, Government has increased its share-holding in some international organizations including the African

Development Bank, the World Bank, the ECOWAS Bank for International Development (EBID) and have also acquired shares in the newly established Africa 50 Infrastructure Fund.

82. Mr. Speaker, Honourable Members, our overall public debt management strategy aim to minimize costs and risks on the debt portfolio. The 2015 Debt Sustainability Analysis (DSA) shows that our external debt remains sustainable in the medium- to- long term with a moderate risk of debt distress.

83. Despite the high stock of domestic debt, the cost of servicing this debt has fallen in recent years due to the continuous decline in domestic Treasury Bill rates. Domestic interest savings was Le43.3 billion for 2013, and Le118 billion in 2014 and is projected at Le40 billion by end 2015.

XI. THE 2016 BUDGET

84. Mr. Speaker, Honourable Members, this 2016 Budget is being delivered on the back of huge expectations by all Sierra Leoneans as the country awaits the WHO to declare us free of the Ebola Virus Disease, tomorrow 7th November. Given the attendant shocks and challenges explained above, we must now develop an approach to provide greater resilience to our economy. Thus, the theme for the 2016 Budget is, **Strengthening Resilience and Building a Diversified Economy.**

PROJECTED RESOURCES FOR 2016

85. Mr. Speaker, Honourable Members, despite uncertainties in the iron ore sector, domestic revenue is projected to rise to Le2.56 trillion or 10.4 percent of GDP in 2016 compared to 9.8 percent of GDP in 2015.

86. Corporate taxes are projected at Le259 billion or 1.1 percent of GDP due to projected improvement in business enterprises. Personal Income Tax is projected at Le653 billion or 2.7 percent of GDP. Goods and Services Tax (GST) is projected to grow significantly to Le635.2 billion or 2.6 percent of GDP. Domestic GST will contribute Le 269.9 billion and import GST Le 365.1 billion.

87. Customs and Excise duties will amount to Le694.6 billion in 2016 or 2.8 percent of GDP. Of this, import duties will contribute Le370 billion and excise duty on petroleum products, Le303.6 billion. Other excise duties will amount to Le19.9 billion.

88. Mining royalties and licenses are projected at Le76.4 billion. Non-tax revenues collected by various Government departments, are projected at Le119.3 billion. Of this, fisheries royalties and licenses will amount to Le43.6 billion. Parastatal dividends are projected at Le10.0 billion. Road User and Vehicle licenses are projected at Le113.5 billion.

89. Total grants are expected to amount to Le798.1 billion or 3.2 percent of GDP. Of this, budget support will amount to Le418 billion or 1.7 percent of GDP and project grants will amount to Le380 billion or 1.5 percent of GDP.

Revenue Proposals

90. Mr. Speaker, Honourable Members, while our efforts to strengthen tax administration and enforcement will continue, other measures are required to raise additional revenues. Thus, the 2016 Finance Bill will introduce the following measures:

- (i) Ministries, Departments and Agencies (MDAs) are now required to make provision for import duty in their budget for all contracts that are subject to taxes. As required by law, all duty and tax waivers and exemptions, including waivers for petroleum products, will require prior approval of Parliament. Duty concessions to NGOs, tourism sector and road construction companies will be strictly reviewed.
- (ii) the top PAYE marginal tax rate will increase by 5% from 30 percent to 35 percent to make the tax system more progressive. This will affect only those earning monthly incomes of above Le 2.0 million; and

(iii) Government will apply the existing commercial fuel price regime to the retail pump price to ensure a full pass-through from international prices, exchange rate movements and other inherent costs in the formula. This is to minimize loss of Government revenues while removing distortions in the domestic petroleum market. As of October 2015, total revenue loss from the retail pricing formula amounts to about Le113.1 billion.

91. To protect the vulnerable from any likely increases in the prices of petroleum products from this policy change, Government will utilise additional revenues from petroleum products to invest not only in infrastructure, but also in social projects such as the National Youth Service, social housing and procure more buses for public transportation, including for school children.

92. The above measures if approved by Parliament will come into effect in 2016.

93. Mr Speaker, Honourable Members, the 2016 Finance Bill will also include other tax policy measures as follows: (i) raise withholding tax on management and technical fees from 10 percent to 15 percent; ii) introduce a national health insurance levy of 0.5 percent on the value of all contracts in support of the proposed National Health Insurance Scheme; and iii) the non-taxable

threshold for personal allowances is increased from Le220,000 to Le400,000.

94. Mr. Speaker, Honourable Members, in addition to the tax policy measures proposed above, the NRA will continue to strengthen the implementation of measures to curb fraud and tax evasion in 2016, including the following key actions: (i) build capacity for specialized revenue audits, especially in the mining, financial and telecommunication sectors; (ii) implement the Small Tax Payer Preparer Scheme to add flexibility in compliance management of the hard-to-tax sector; (iii) develop and implement a revenue accounting and reconciliation system for effective reconciliation with transit accounts in the commercial banks and the Central Bank; and (iv) expand on current automation drive of tax administration, including the introduction of an integrated tax administration system and migration from ASYCUDA++ to advanced customised management systems for customs operations.

95. Government will now require all registered GST vendors to use electronic cash registers. These registers will interface with the Tax Online System and allow real time capture of transactions to enhance GST compliance as well as reduce under-declarations. To further enhance GST compliance, a penalty of Le5 million will be levied on each unauthorized receipt issued by a GST registered business other than that provided or certified by the National Revenue Authority.

96. As part of its continuing and dedicated support to governance, and in particular on revenue mobilisation, UK-DFID has approved a three year “Revenue for Prosperity” programme support to the NRA and Revenue and Tax Policy Division of the Ministry of Finance and Economic Development. At the end of its implementation, domestic revenue is projected to increase through improved tax policy and legislation, improved governance, organizational effectiveness and transparency of tax administration; a modernised domestic tax and customs administration; and an improved extractive revenue administration that will adequately handle technical audits and transfer pricing issues.

Proposed Expenditure Priorities and Allocations for 2016

97. Mr. Speaker, Honourable Members, as indicated earlier, the 2016 Budget is driven by the National Ebola Recovery Strategy. As we transition from the Millennium Development Goals (MDGs) to the Sustainable Development Goals (SDGs) in January 2016, it is incumbent on Government to integrate these goals into the 2016 Budget. Thus, the allocations of expenditures for the 2016 Financial Year are in accordance with the priorities identified in the National Ebola Recovery Strategy anchored on the Agenda for Prosperity which is largely aligned with the Sustainable Development Goals.

98. Mr. Speaker, Honourable Members, total expenditures are projected at Le4.65 trillion or 18.9 percent of GDP. Recurrent expenditures are projected at Le3.1 trillion or 12.7 percent of GDP. Capital expenditures are projected at Le1.52 trillion or 6.2 percent of GDP. Of this, foreign-financed capital expenditures will amount to Le904 billion. Domestic capital expenditure will amount to Le613 billion.

Wages and Salaries

99. The allocation for Wages and Salaries is increased from Le1.60 trillion in 2015 or 7.2 percent of GDP to Le1.65 trillion or 6.7 percent of GDP. The nominal increase will cater for the Judiciary and payment of salary arrears to Mines Monitors. Salaries of core staff, salary grants for Mayors and Chairpersons, and sitting fees and transportation allowances of Councilors have been revised upwards. The monthly salary grant of Mayors and Chairpersons have increased from Le500,000 to Le2,100,000, and for the Deputies from Le400,000 to Le2,000,000. Monthly sitting fees and transportation allowances for Councilors have also increased from Le350,000 to Le830,000. Salary grants to Mayors and for Chairpersons will not pose any additional burden on Government in view of benefits after service. Salaries of core staff have been rationalized along salaries of similar cadre in the Government service.

Debt Service Payments

100. Total interest payments are projected at Le299.6 billion. Of this, domestic interest payments will amount to Le254.2 billion. Foreign interest payments will amount to Le45.4 billion.

Statutory Transfers

101. Total statutory transfers will amount to Le433.9 billion. These include transfers of Le113.5 billion to the Road Maintenance Fund Administration; Le91.8 billion to Local Councils; Le137.1 billion as Grants to tertiary educational institutions, including tuition fees subsidies and Le68.7 billion to the National Revenue Authority.

102. I will now turn to discretionary expenditure by the pillars of A4P, linking these to the SDGs.

Discretionary Expenditures (Non-Salary, Non-Interest Recurrent and Domestic and Foreign Capital Expenditures)

103. Mr. Speaker, Honourable Members, given our recent experience in the mining sector, diversification of our economy will now be given utmost priority to strengthen resilience of our economy as described under each pillar below:

Pillar 1 Economic Diversification to Promote Inclusive Green Growth: This pillar links with SDGs 1, 2, 8, and 10.

104. **Agriculture:** To revive the sector, Government will support the attainment of the following objectives: (i) increasing agricultural productivity and production through, procurement and distribution of large quality of subsidised fertilizers, rehabilitation of 1,000 hectares of Inland Valley Swamps country-wide; supply of high-yielding varieties of planting materials; (ii) support the transformation of Agricultural Business Centres (ABCs) to promote value-addition and reduction in post-harvest losses and formalization of the agriculture and private sectors; (iii) agri-business financing along the agricultural value-chain through the Financial Services Associations and Community Banks; and (iv) create markets for farmers through institutional feeding for our armed forces.

105. To this end, Government is allocating Le51.1 billion to **the Ministry of Agriculture, Forestry and Food Security (MAFFS)** from the recurrent budget and Le9.9 billion from the domestic capital budget.

106. IFAD, the World Bank, the European Union, the Islamic Development Bank (IDB) and the Japanese International Development Agency (JICA) will provide an additional Le101.6 billion to support the procurement of

agricultural inputs; rehabilitation of 1,000 hectares of Inland Valley Swamps; establishment of 13 Veterinary Clinics to vaccinate 400,000 and treat 100,000 animals; raise and distribute 1.3 million tree crop and forest tree seedlings; rehabilitate tree crop plantations; and improve access to rural finance, including recapitalizing the APEX Bank.

107. Government is also allocating Le 16.1 billion for devolved functions in the agriculture sector to Local Councils.

108. The Sierra Leone Agricultural Research Institute (SLARI) is allocated Le5.3 billion from the recurrent budget and Le 1.2 billion from the domestic capital budget to support research activities. Development partners will provide Le2.8 billion to this Institute.

109. **Fisheries:** As part of Government's economic diversification strategy, attention will be paid to attaining a blue economy. In this regard, for a start, Government is allocating Le3.0 billion to the **Ministry of Fisheries and Marine Resources** from the recurrent budget and Le4.3 billion from the domestic capital budget to support artisanal and inland fisheries as well as the European fish certification project (PRECON). Government is also providing Le165.9 million for devolved functions in the fisheries sub-sector to Local Councils.

110. **Tourism:** Again, in furtherance of economic diversification, Government will support recovery of the Tourism Sector. **The Ministry of Tourism and Cultural Affairs**, in collaboration with the National Tourist Board and the Monument and Relics Commission, will embark on local and international rebranding activities; develop four eco-tourism sites; clean Lumley and other Peninsula beaches; implement the second phase of the Lumley Beach Development Project; and establish regional offices in Makeni, Kabala, Kenema and Bo. In support of these activities, Government is allocating Le8.8 billion from the recurrent budget and Le4.2 billion from the domestic capital budget to the Ministry and its Agencies.

Pillar 2: Managing Natural Resources: This Pillar links with SDGs 14 and 15.

111. **Lands:** Mr. Speaker, Honourable Members, **the Ministry of Lands, Country Planning and the Environment** is allocated Le3.1 billion from the recurrent budget to support land planning and management for an environmentally safe and beautiful country. This allocation will also support the execution of the National Land Policy, review of outdated policies, legislations and statutory instruments; and the reclamation, registration and planning of the use of lands.

112. **Environment:** Mr. Speaker, Government has signed the treaty for Reducing the Emissions from Deforestation

and Degradation (REDD+). The REDD+ project is a global initiative for reducing emissions from deforestation and degradation and for the conservation and sustainable management of forests and the enhancement of forest carbon stocks in developing countries. REDD+ facilitate the transfer of funds from developed to developing countries willing to undertake REDD+ actions. Revenue from the carbon trade will be distributed as follows: 40 percent to the Consolidated Revenue Fund (CRF); 40 percent retained by the National Protected Area Authority (NPAA) for administrative costs; 15 percent for Community Trust/Insurance Fund, and 5 percent for capacity building of the Sierra Leone Conservation Society.

113. To support the activities of the NPAA, Government is allocating Le4.2 billion from the recurrent budget. The World Bank is providing Le2.5 billion towards the implementation of the Wetlands and Biodiversity projects while the European Union is also providing Le2.6 billion to the REDD+ Capacity Building project. Le2.0 billion is allocated from the domestic capital budget as Government contribution to the projects.

114. **Mines and Mineral Resources:** To support the formulation and implementation of mineral policies, Government is allocating Le6.7 billion from the recurrent budget to the **Ministry of Mines and Mineral Resources**. Of this, Le4.6 billion is allocated to the National Minerals Agency (NMA) to support the administration and

enforcement of the Mines and Minerals Act 2009 and other Acts and related regulations in mining, as well as, trade in minerals.

115. In addition, Le1.5 billion is provided from the domestic capital budget for the reconstruction of NMA regional offices and Le500 million to support the Extractive Industry Transparency Initiative (EITI). The German International Development Cooperation (GIZ), the United Kingdom Department for International Development (DfID), the African Development Bank, and the World Bank will provide about Le4.0 billion to support various projects in the mining sector.

Pillar 3 Accelerating Human Development: This Pillar links with SDGs 1, 3, 4, 6, 10 and 11.

116. **Health:** Mr. Speaker, Honourable Members, the key objectives in the health sector in the Ebola Recovery period are to: (i) build a sustainable national health system that delivers safe, efficient and quality health care services that are accessible, equitable and affordable for all Sierra Leoneans; and (ii) build a resilient national health system that can respond robustly to a possible recurrence of Ebola or an outbreak of any other deadly disease.

117. To support the attainment of these objectives, Le 91.8 billion is allocated from the recurrent budget to the

Ministry of Health and Sanitation. Of this, Le22.9 billion is to support basic health services; Le24.8 billion for tertiary health services; Le23.0 billion for the procurement of drugs for the Free Health Care programme; and Le10.9 billion for cost recovery drugs and other medical supplies. The Pharmacy Board is allocated Le4.0 billion. The Health Service Commission and the Dental and Medical Board are allocated Le919 million and Le327 million, respectively.

118. In addition, Le68.7 billion is allocated from the domestic capital budget to the health sector. Of this, Le46 billion is to support Public Health Sierra Leone; Le6.5 billion for the refurbishment of Government hospitals; Le3.0 billion for piloting the National Public Health Insurance Scheme; and Le12.2 billion as Government contribution to donor-funded projects in the health sector.

119. The World Bank, IDB, Global Fund, Kuwaiti Fund and the Arab Bank for Economic Development in Africa (BADEA) are expected to provide Le153.4 billion to support various projects in the health sector.

120. Transfers to local councils for primary and secondary health care services will amount to Le21.0 billion.

121. **Education:** Mr. Speaker, Honourable Members, the focus of the education sector in the Ebola recovery

period is to restore basic education services across the country. To this end, Government is allocating Le210 billion from the recurrent budget to **the Ministry of Education, Science and Technology**. Of this, Le56 billion is allocated towards improving access to quality education including Le32.6 billion for secondary education and as mentioned earlier, Le147 billion for tertiary educational institutions, including an amount of Le113.7 billion for tuition fees subsidies to university students. Technical and vocational institutions are allocated Le28.3 billion.

122. In addition, Government has introduced a Students Loan Scheme to which Le5 billion is allocated to operationalise the scheme.

123. BADEA, Opec Fund for International Development (OFID) and Saudi Fund will provide Le12.1 billion for the rehabilitation of Fourah Bay College. The tender for the works contract will be published as soon as approval is obtained from the funding Institutions. Government is also providing Le1.5 billion from the domestic capital budget as contribution to this project. An amount of Le1.6 billion is provided for the rehabilitation of the Port Loko Teacher's College and Le1.8 billion for preparations towards the establishment of the University of Science and Technology in Magburaka.

124. An amount of Le39.3 billion is allocated to Local Councils for devolved educational services.

125. Mr. Speaker, Le3 billion is allocated to the Skills Development Fund to support training of Sierra Leoneans in highly specialized skills, the young Engineers Corps and young professional internship programme.

126. **Water and Sanitation:** The key objectives of the water sector is to restore water, sanitation and hygiene services and address shortcomings that exist in the provision of these services as well as to mainstream sanitation at all levels of governance.

127. In support of these objectives, Le9.9 billion is allocated from the recurrent budget to the **Ministry of Water Resources**. Furthermore, Le45.5 billion is allocated from the domestic capital budget to the water sector. Of this, Le32.2 billion is allocated to the Sierra Leone Water Company (SALWACO) to complete ongoing projects and undertake new projects in rural areas, including the Taiama-Njala Water Supply system, Bonthé Municipality, and Mattru Jong and the Blama Bandawor and six other villages; Le18.3 billion to the Guma Valley Water Company for the rehabilitation of water treatment facilities and storage tanks in the Freetown Municipality.

128. Development partners including AfDB, IDB, BADEA, and OFID will provide Le22.7 billion to support the

implementation of the Three Towns Water Supply System Projects in Bo, Kenema and Makeni; Kabala Water Supply System Project and the Rural Water Supply and Sanitation Project phase II. In addition, the United States Millennium Challenge Cooperation (MCC) will provide Le20.4 billion to reform the water sector. An amount of Le5.0 billion is allocated as Government contribution to donor-funded projects in the water sector.

129. Transfers to Local Councils will amount to Le1.9 billion for rural water supply and Le4.7 billion for solid waste management services.

130. **Sports: The Ministry of Sports** is allocated Le7.0 billion to support training programmes to enhance the technical capacity of the National Sports Council for effective service delivery and for sports competitions, including football and cricket.

Pillar 4 International Competitiveness: This links with SDGs 7 and 9.

131. **Energy:** Mr. Speaker, Honourable Members, in promoting a diversified economy and prosperity for inclusive development, Government will seek to improve and expand access to reliable and affordable energy throughout the country. In this regard, from 2016, the Ministry of Energy will implement projects to restore and expand electricity supply in all the district headquarters

and other selected towns, as well as rehabilitate the national transmission network. The agreements with the successful bidders for the implementation of these projects are being finalised for Cabinet consideration and endorsement by this House.

132. Government is allocating Le173.1 billion from the domestic capital budget to fund projects in the energy sector.

133. The European Union, African Development Bank, Islamic Development Bank, and the World Bank will provide Le110.1 billion towards various projects in the energy sector. In addition, Abu Dhabi Fund will provide Le20.4 billion for the Solar Park Freetown Project. The US Millennium Challenge Cooperation will provide Le15.2 billion to support reforms in the electricity sector.

134. The Ministry of Energy including, the Barefoot Women Solar College, is allocated Le4.6 billion from the recurrent budget.

135. **Roads:** Mr. Speaker, Honourable Members, Government will continue to expand and improve the road network to support the enhancement of socio-economic activities throughout the country. In this regard, Le132.0 billion is allocated from the domestic capital budget to the **Ministry of Works, Housing and Infrastructure** for the rehabilitation/reconstruction of trunk roads throughout the country.

136. Development partners including the Islamic Development Bank, the African Development Bank, the European Union, OFID, OPEC, the Kuwaiti, Abu Dhabi and Saudi Funds have earmarked about Le267.5 billion for the construction and rehabilitation of trunk roads including the Kambia-Kamakwe road, the Pendembu-Kailahun road and the on-going Yiye-Sefadu road.

137. Transport: The Ministry of Transport and Aviation is allocated Le 18.2 billion from the recurrent budget, including Le16.1 billion for the procurement of Government vehicles.

138. Information, Communications and Technology (ICT): Mr. Speaker, Honourable Members, I am pleased to inform you that Government, with support from the Islamic Development Bank, the Exim Banks of China and India, is finalising the construction of an in-Country Terrestrial Back Haul, Distribution Networks, E-Government Infrastructure and Last Mile Solutions to support open access and affordability of telecommunication facilities and services throughout the Country.

139. You would recall Mr. Speaker, Honourable Members that Government, through the support of the World Bank, landed the Submarine Fiber Optic Cable, that linked Sierra Leone to the global high-speed Telecommunication Networks. Through the combined

efforts of Government and our partners, most of the major towns and cities of our country now have Fiber Optic Cable terminating or passing through them. As an immediate benefit of the E-Government platform, some MDAs have been connected to high Speed Broad Band Internet facility through the Wide Area Network of the Ministry of Information and Communications as a pilot.

140. Acting in support of these activities, the **Ministry of Information and Communications** is allocated Le3.4 billion from the recurrent budget and Le4.0 billion from the domestic capital budget as Government contribution to complete the donor funded ICT projects.

141. **Private Sector Development:** Mr. Speaker, Honourable Members, as part of our diversification efforts, we must strengthen our domestic production base, particularly in the agribusiness value chain. In this regard, we will pursue the establishment of a pool of financial and technical resources to be targeted specifically at agro-processors, manufacturers and the transportation and logistics segments that enable the real economy.

142. To this end, Le11.4 billion is allocated from the recurrent budget to the **Ministry of Trade and Industry** including Le4 billion to the Sierra Leone Investment and Export Promotion Agency (SLIEPA). In addition, Le702 million is allocated to the Corporate Affairs Commission;

and Le 470 million to the Office of the Administrator and Registrar General. Le1.8 billion is allocated from the domestic capital budget to strengthen export development and promotion.

Pillar 5: Labour and Employment: This Pillar links with SDGs 1, 8 and 10.

The Ministry of Labour

143. **The Ministry of Labour and Social Security** is allocated Le 6.6 billion from the recurrent budget and Le2.0 billion from the domestic capital budget for the rehabilitation of its district offices and development of job centres.

144. As we advance empowerment of Youths, we will need more creativity in our talent management practices. In response, we will continue to provide incentives to develop talents locally, and to encourage the private sector to deepen collaboration with academic and training institutions and to work together to turn out skills that meet local needs. In the short-term, we will leverage the pilot West Africa Talent Mobility Partnership programme to complement our response to the dearth in local expertise in the priority sectors. In this regard, in addition to ongoing efforts at developing a framework for Mutual Recognition Agreements for academic and professional training, we will seek support from partners to operationalise our Labour Market Information System.

145. Mr. Speaker, Honourable Members, Government will continue to address the problems faced by youths, especially during the post Ebola period. In this regard, Government will support programmes for the restoration of lost livelihoods especially among youths. In support of this, the **Ministry of Youth Affairs** is allocated Le 7.2 billion from the recurrent budget and Le14.5 billion from the domestic capital budget to implement activities including on-going works for the National Youth Village, the Youth Farm, the National Youth Service Programme, the National Youth Development and Empowerment Programme, and support to Youth in Fisheries Project. In addition, the National Youth Commission is allocated Le 3.8 billion from the recurrent budget to support other youth-related activities.

146. Transfers to Local Councils for Youth and Sport services amount to Le 888.6 million.

Pillar 6: Social Protection: This Pillar links with SDGs 1,2,3,4 and 10.

147. Mr. Speaker, Honourable Members, following the Ebola outbreak, a new category of vulnerable groups are emerging. These include Ebola survivors, orphans, widows and widowers. More importantly, the vulnerability of the general population, especially the poor has intensified due to loss of employment and business incomes. To

address this situation, Government, with support from our development partners, will expand social protection services to cater for vulnerable groups. To this end, the **Ministry of Social Welfare, Gender and Children Affairs** is allocated Le 9.2 billion from the recurrent budget; and Le3.3 billion from the domestic capital budget to support the implementation of recovery activities, including the rehabilitation of social welfare centres in six districts and the rehabilitation of Remand Homes and Approved Schools. The National Commission for Persons with Disability is allocated Le 2.2 billion and the National Children's Commission is allocated Le1.7 billion.

148. **The National Commission for Social Action (NaCSA)** is allocated an amount of Le 1.3 billion from the recurrent budget and Le3.6 billion from the domestic capital budget as Government contribution to donor-funded projects implemented by NaCSA. Development partners including the World Bank, IDB and Kfw will provide Le25.7 billion to support the implementation of social protection, community driven and rural infrastructure projects including Social Safety Nets Programme.

Pillar 7: Governance and Public Sector Reforms. This Pillar links with SDGs 5, 16 and 17.

149. Mr. Speaker, Honourable Members, as indicated earlier, our country's governance index continues to improve on all scores. For further improvement, we will increase allocations to governance related institutions, especially Parliament, the Anti-Corruption Commission and the Audit Service Sierra Leone. Thus, from the recurrent budget, the Anti-Corruption Commission is allocated Le4.6 billion; the House of Parliament, Le7.8 billion; Audit Service Sierra Leone, Le5.4 billion.

150. **The Ministry of Foreign Affairs and International Cooperation** is allocated Le24.2 billion; the National Revenue Authority, Le68.7 billion; **the Ministry of Defence** Le85.7 billion; the Sierra Leone Police, Le72.5 billion; the Sierra Leone Correctional Services, Le32.3 billion; the National Electoral Commission, Le33.7 billion; the National Public Procurement Authority, Le2.7 billion; and Statistics Sierra Leone, Le9.8 billion.

151. An amount of Le8.9 billion is allocated to the Judiciary, including Le2.1 billion for the operationalisation of Local Courts countrywide.

152. From the domestic capital budget, Le1.2 billion is allocated to the Public Sector Reform Unit; Le1.3 billion to the Human Resource Management Office (HRMO);

Le4.4 billion to Statistics Sierra Leone; Le7.0 billion to the Sierra Leone Police; Le41.5 billion to the Immigration and National Civil Registration Authority; Le2.0 to the Sierra Leone Correctional Services; Le3.5 billion to the National Fire Force; Le900 million to the **Ministry of Lands, Country Planning and the Environment**; Le2.2 billion to the Anti-Corruption Commission; and Le1.5 billion for the implementation of the Millennium Challenge Cooperation (MCC). The MCC will provide Le21.0 billion as support for the implementation of the Threshold Programme and the World Bank, Le26.1 billion for the Pay and Performance Project.

153. An additional amount of Le22 billion is allocated to the **Ministry of Works, Housing and Infrastructure** for the reconstruction/rehabilitation of Government buildings and other buildings (sub-vented institutions), including construction of the Public Service Academy and the Public Service Commission.

154. An amount of Le5.0 billion is allocated as Local Government Development grants; Le5.0 billion for the Project Preparation Fund and Le7.8 billion to the Constituency Development Fund.

Pillar 8 Gender and Women's Empowerment. This Pillar links with SDGs 1,2,3,4 and 5.

155. **The Ministry of Social Welfare Gender and Childrens Affairs** is allocated another Le1.8 billion to support Gender and Women empowerment programmes.

XII. Risks to Budget Implementation and Execution

156. Mr. Speaker, Honourable Members, as Ebola recedes, our expectations of a quick turn-around to improve livelihoods will also increase. These policies and measures are designed to deliver on these expectations. However, such expectations are sometimes not realized due to unforeseen circumstances.

157. Mr. Speaker, Honourable Members, as already mentioned, the implementation and execution of the programmes, projects and policies announced in this budget is predicated on the following assumptions:

- (i) the assumption of Ebola ending tomorrow, November 7, 2015;
- (ii) the resumption of iron-ore mining, and
- iii. return of other Foreign Direct Investments.

158. In addition to these underlying assumptions, other risks to the successful implementation of this Budget include:

- (i) ***Maintaining a resilient zero Ebola infections:*** Without a resilient zero infection rate, uncertainty in the economy will return. In particular, this may delay the return of Foreign Direct Investment and the full resumption of key economic activities.
- (ii) ***The non-resumption of iron ore production and export*** will pose additional strain on the Budget in terms of revenue loss and further depreciation of the Leone;
- (iii) The ***slowing of the Chinese economy*** and the consequent weak demand for primary commodities, including iron ore may hamper our economic prospects;
- (iv) ***Delays and untimely disbursement of donor funds*** may also impact budget execution;
- (v) ***The resettlement of flood-affected victims in Western Area and other parts of the country*** would require substantial resources. In the absence of donor support, this may compel Government to divert resources from the priority sectors in National Ebola Recovery Strategy;
- (vi) Delays in the ***enactment of the proposed 2016 Finance Bill*** will negatively impact revenue mobilisation and hence implementation of the budget; and

- (vii) Finally, any ***delay in the completion of the fourth review*** under the ECF by the Executive Board of the IMF beyond mid-November 2015 will affect the disbursement of the augmented support of US\$67.7 million and the disbursement of budget support by other budget support partners.

XIII. Conclusion

159. Mr. Speaker, Honourable Members, in concluding this statement, I wish to thank especially my colleague Ministers for their invaluable contributions in shaping the policies and measures I have just announced. The Minister of State, MoFED, the Financial Secretary and staff of the Ministry of Finance and Economic Development also deserve special mention for their continuing support. The Governor, Management and staff of the Bank of Sierra Leone are also recognized for their collaboration that facilitated excellent co-ordination of fiscal and monetary policy. The Commissioner General, Management and staff of NRA deserve our special commendation for an amazing effort in mobilizing domestic revenue especially during this difficult period.

160. Mr. Speaker, Honourable Members, I would also like to thank the Chairpersons of the Finance and Transparency Committees of Parliament, our development partners, the District Budget Oversight Committee Members, the Non-State Actors and members

of the print and electronic media that participated in the open Budget discussions. The contributions and insights provided by all of you were useful in guiding the Budget proposals I am now presenting to this House. As usual, the Government Printer and staff rose to the occasion and produced the printed Statement and Estimates on time.

161. Mr. Speaker, Honourable Members, the successful implementation of the policies and measures I have just announced require our joint effort and collaboration as Sierra Leoneans.

162. As we transition from MDGs to SDGs, the onus to deliver the 2016 Budget is on each and every Sierra Leonean. We lost years of implementation of the MDGs due to the war and follow up effects. We are now in a position to start implementing the SDGS with the rest of the world and by 2030 we should be there on a very sound footing. But there is a caveat to be mentioned. Studies show that as the world is aiming to end poverty by 2030, about two-third of the world's poor would live in fragile and conflict prone environments. This is a risk we should and must avoid.

163. Recent World events have also taught us the lesson that over dependence on one sector will undermine our resilience. Therefore, as we continue to rely on our minerals, Sierra Leoneans should embrace the culture

of diversifying the economy. We should devote attention to agriculture, our abundant fisheries resources, our beautiful beaches and eco-tourism sites, for food security and employment for our youths. At the same time, we should continue to improve access to energy and water supply, build roads, to strengthen our resilience. We will do this responsibly to protect our environment for the benefit of our children.

164. As Sierra Leone is a tried and tested country, I have no doubt in my mind that with our development partners complementing our resilience we shall overcome and leap forward into prosperity. At this twilight, as Ebola sunsets, the hope for a new dawn is born, a new day begins tomorrow. We will not take our baths in 'salt water' anymore, but in the rivers of resilience.

165. And we will all embark on the epic journey of recovery, each carrying full arsenal of new instruments for public service delivery defined by efficiency and patriotism; and with the realization that each generation has a responsibility to carry the succeeding ones shoulder-high so that they, our children could see into far horizons that we who carry them, will never experience but can only dream about. We shall do so because they are the reason we live and work at all. And I say so in honour of the school children from all over the country that joined us in this Chamber today, for the first time in our history of budget preparation, to hear what the Government will

provide them in the 2016 Budget. We promised them hope and truly, we will deliver. The task ahead, Honourable Members, is daunting, but collectively we can do it.

166. I therefore urge all Sierra Leoneans to join hands and deliver the 2016 Budget so that together we can create a diversified, peaceful and inclusive economy that will bring out our resilience as a nation and prosperity for all. I therefore commend the 2016 Appropriation Bill to this noble House.

167. I thank you for your attention.

168. I wish you an Ebola-free, peaceful, and blessed Christmas and a Happy New Year.

169. God Bless us and our efforts.