# GOVERNMENT OF SIERRA LEONE

# FISCAL STARTEGY STATEMENT (FSS) FOR 2019-2023

**Prepared by the Ministry of Finance**

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## 1. INTRODUCTION

1. The new Public Financial Management (PFM) Act 2016 was enacted by Parliament on the 31st of May 2016, replacing the Government Budgeting and Accountability Act (GBBA) 2005. The accompanying Public Financial Management Regulations were also enacted by Parliament in 2017. The PFM Act, 2016 requires a new Government to prepare a Fiscal Strategy Statement in which it should indicate its fiscal objectives for the next five years. In particular, section 21 (1) of the PFM Act, 2016 states that "***When an election to the Office of the President of the Republic of Sierra Leone has taken place, the new Cabinet shall, based on the principles of responsible financial management, specify in its first Fiscal Strategy Statement, the fiscal objectives to be applied in the next five years "***. Hence, the preparation of the Fiscal Strategy Statement (FSS) for 2019 to 2023 is in compliance with Section 21(1) of the Public Financial Management (PFM Act), 2016. The FSS should be submitted to Cabinet for approval and subsequently laid in Parliament for information only.

2. Sections 22 (1, 2 and 3) describe the content of the Fiscal Strategy Statement, which should include Government's fiscal objectives, macroeconomic and fiscal forecasts for the next five years and as well as an assessment of the fiscal risks likely to be faced by Government during budget implementation in the next five years.

3. Section 23 (1) of the same Act also states that, the Minister of Finance should subsequently prepare Annual Fiscal Strategy statements for approval by Cabinet and for the information of Parliament. On the basis of this section, the former Ministry of Finance and Economic Development prepared Annual Fiscal Strategy Statements for the Financial Years 2017 and 2018 in order to develop the practice and guide the preparation of the FSS for a new Government.

4. Taking into consideration the provisions of sections 20, 21, 22 and 23 of the PFM Act 2016, the FSS is structured as follows. Following the introduction, Section 2 presents the Government's fiscal objectives. Section 3 provides an overview of recent global and domestic macroeconomic developments as well as the medium-term macro-fiscal forecasts (2018-2023) and underlying assumptions. Section 4 reviews fiscal developments during 2016-2018 and sets out Government's fiscal policy for the medium-term. This section also presents the medium-term fiscal forecasts (revenue and expenditure) and discusses the revenue enhancing and expenditure management measures for the medium-term. Section 5 presents the Medium-Term Expenditure Framework detailing expenditure ceilings for the key MDAs, both for recurrent and domestic capital for the medium-term. Finally, section 6 presents the fiscal risks statement, which describes the macroeconomic, fiscal and policy risks to the achievements of the fiscal objectives specified. The section also presents an analysis of these risks on budget implementation during the period. The section ends with a description of the proposed measures for mitigating the fiscal risks.

## 2. FISCAL OBJECTIVES: 2019-2023

5. The key objective of fiscal policy in the short-term to medium-term is to restore macroeconomic stability by focusing on fiscal consolidation through enhanced domestic

revenue mobilisation and rationalization of expenditures. In the medium-term, the objective of fiscal policy is to achieve fiscal and debt sustainability through sustained domestic revenue mobilization and expenditure management measures. This is consistent with the principles of Responsible Financial Management as articulated in Section 20(2) of the Public Financial Management (PFM), Act 2016, which include, among others, the following:

(i) achieve and maintain prudent levels of public debt so as not to impose an inequitable burden on future generations;
(ii) achieve and maintain an appropriate balance between revenues and expenditures of general Government;
(iii) formulate and implement fiscal policies to achieve macroeconomic stability; and manage prudently the fiscal risks faced by Sierra Leone.

6. In view of the foregoing, Government will pursue the following fiscal objectives:

(i) Improve domestic revenue collection from 12.6 percent of GDP in 2017 to 14.3 percent of GDP in 2018 and further to 20 percent of GDP in 2023. It is important to note the potential revenue to be generated based on the macroeconomic fundamentals will amount to 15.9 percent of GDP by 2023 from 12.6 percent of GDP in 2017. Therefore, to achieve the 20 percent of GDP target in 2023, significant reforms in revenue policy and administration need to be undertaken. To this end, Government will implement the measures articulated in the Medium-term Domestic Revenue Mobilisation Strategy (MDRMS) and the Executive Order no.1 issued by His Excellency, the President of the Republic of Sierra Leone, Dr. Julius Maada Bio in April 2018. The details of these and other measures are described in section III. Higher domestic revenue collection will allow Government to continue to deliver public services especially the Free Quality School Education programme, scale up infrastructure investment, diversify the sources of economic growth, and support mitigating measures to ameliorate the impact of policy reforms on the poor and vulnerable.

(ii) Seek to maintain Government expenditure at an average of 23.5 percent of GDP during 2018 to 2023. An important strategy to keep public expenditures at sustainable levels is to rationalise the Government wage bill. The aim is to gradually clean the Government payroll in order to keep it at the sustainable level of 6.0 percent of GDP from 6.7 percent of GDP in 2018. In nominal terms, the Government Wage bill will increase from Le 1.9 trillion in 2017 to Le 2.1 trillion in 2018 to Le3.03 trillion in 2023 as the economy grows.

(iii) This will facilitate the attainment of the third objective, that is, the reduction in the overall budget deficit, including grants, from 8.7 percent of GDP in 2017 to 5.8 percent in 2018 and further down to an average of 2.8 percent of GDP during 2019 to 2023 as domestic revenue increase. The lower budget deficit will help to reduce the rate of domestic debt accumulation and the associated debt service payments, contain the monetization of the deficit and the attendant macroeconomic vulnerabilities.

(iv) To ensure debt sustainability, total public debt will be kept at debt sustainability threshold of 55 percent of GDP in present value (PV) terms and 70 percent of GDP in nominal terms consistent with our obligations under the ECOWAS macroeconomic convergence criteria for the monetary union. External debt will not exceed 40 percent of GDP in PV terms during the period.

## 3. RECENT ECONOMIC TRENDS AND OUTLOOK

### 3.1. Global Economic Developments, Outlook and Risks

7. Global GDP growth strengthened from 3.2 percent in 2016 to 3.8 percent in 2017, higher than the 3.4 percent projected. This momentum was driven by investment, manufacturing, and recovery in commodity prices. It was also accompanied by a strong rebound in global trade, which may prove temporary due to a recent increase in trade tensions. Global GDP growth is expected to be 3.9 percent in both 2018 and 2019.

8. Most advanced economies experienced stronger growth than expected in 2017 and are expected to grow above their potential rates in 2018 – especially the Euro area, Japan and the USA. This is on account of a considerable recovery in investment, which is at its highest levels since the financial crisis of 2008, and of positive spillovers from fiscal expansion in the USA. In emerging economies, the key drivers of growth were increases in consumption and exports rather investment. China's growth is expected to slowly decrease in the medium-term, from 6.9 percent growth in 2017 to 6.4 percent growth in 2019.

9. Following a considerable slowdown in 2016, prospects for the Sub-Saharan Africa region are slowly improving as GDP growth rose to 2.8 percent in 2017, from 1.4 percent in the previous year. Yet, this modest rebound is driven by recovery in three large countries (Nigeria, Angola and South Africa) while the outlook in the rest of the region remains challenging. Growth in Sub-Saharan Africa is expected to rise to 3.4 percent in 2018 and 3.7 percent in 2019.

10. This outlook is subject to downside risks. These include the escalation of trade tensions. Recent announcements by the USA, as well as the UK's exit from the European Union could affect confidence and upset the global growth momentum, which has relied strongly on a rebound in trade. In emerging and developing economies, persistent structural issues may challenge growth if countries do not manage to sufficiently diversify. Moreover, debt levels have been rising considerably, particularly in Sub-Saharan Africa, with a risk of repayment issues if financial conditions were to tighten again. Geopolitical tensions, domestic political dissent and the risk of severe climate incidents also contribute to the uncertainty of the outlook.

### 3.2. Domestic Macroeconomic Developments, 2016-2018

11. The economy recovered by 6.3 percent in 2016 after the negative impact of the Ebola scourge and the collapse of commodity prices. The recovery was driven by the resumption of Iron Ore mining and the gradual recovery and expansion in the non-mining sector. Excluding Iron Ore, the economy grew by 4.3 percent as a result of the strong recovery in agriculture, non-iron ore mining, construction, trade, manufacturing and services sectors.

12. The economy slowed down to 3.8 percent during 2017 compared to an earlier forecast of 5.6 percent. The slowdown in economic growth was due to the less than anticipated output of iron ore and the decline in diamond production by Koidu Holdings Limited. Iron ore production amounted to 6.5 million metric tons compared to an earlier projection of 9.0 million metric tons while diamond output declined by about 50 percent as the main diamond mining company transitioned to underground mining.

13. The economy is projected to grow at the same rate of 3.7 percent during 2018 since iron ore production is unlikely to resume due to weak market conditions for the quality of ore produced as well as operational challenges. The non-iron ore economy is projected to grow by 5.8 percent driven mainly by activities in agriculture, recovery in diamond mining, increased production of bauxite and rutile and expansion in services (transport, telecommunications and tourism), as well as continued growth in manufacturing, supported by improved electricity supply.

14. Inflation had remained in single digit during the first half of 2016 but rose to double digits during the second half of 2016 and reached 20.2 percent in March 2017. The rise in inflation was mainly due to the sharp depreciation of the exchange rate during the period. However, inflationary pressures declined from the peak of 20.2 percent in March 2017 to 15.3 percent in December 2017 and further down to 14.4 percent in February 2018 reflecting the relative stability of the exchange rate, tight monetary policy by the Bank of Sierra Leone as well as increased domestic food supplies during this period.

15. The supply side factors for the depreciation of the exchange rate can be largely blamed on the continued closure of iron ore mining operations and thus reduced export and the non-disbursement of budgetary support since January 2018 and low foreign exchange inflows by NGOs and other international agencies in the months of July and August. The demand side factor include uncertainty in the markets due to anti-corruption drive by the government compelling some business people and former Government officials to save in US dollars, overseas travelling needs of families and to a lesser extent the increased demand for the 2018 Muslim pilgrimage in Saudi Arabia. It is projected that with inflows for budgetary support and resumption of iron ore mining, the exchange rate will remain stable.

16. Concerned about the increase in inflationary pressures during the second half of 2016 triggered by the increase in retail fuel price and electricity tariffs, the Bank of Sierra Leone gradually increased the MPR from 9.5 percent to 11.0 percent in December 2016.

17. The Bank of Sierra Leone (BSL) maintained a tight monetary policy stance in 2017 with the monetary policy rate being raised cumulatively by 350 basis points to 14.5 per cent in December 2017 from 11 per cent in December 2016. The maintenance of tight monetary policy stance and the stability in the exchange rate contributed in part to the downward trend in headline inflation observed after the first quarter of 2018.

18. Inflationary pressures re-emerged in March 2018 as inflation rose to 14.9 percent and subsequently increased to 17 percent in July and 18.2 percent in August, attributable to the

increased demand for goods and services in the period leading to and during the month of Ramadan as well as pressure on the exchange rate.

19. In response, the Monetary Policy Committee tightened monetary policy further by increasing the policy rate by a cumulative 200 basis points to 16.5 percent in June 2018 from 14.5 percent in December 2017. The decision was motivated by the committee's assessment of the short-term outlook for inflation, which suggested that upside risks to inflation were prominent in the months ahead.

20. The fiscal situation was challenged by overruns in expenditures while domestic revenue collection was lower than projected during 2017. Though domestic revenue increased from 12.2 percent of GDP in 2016 to 12.6 percent of GDP in 2017, it was lower than the projected amount by Le 3.75 trillion or 13.2 percent of GDP.

21. Government expenditures and net lending was estimated at 24 percent of GDP in 2017, with recurrent expenditures at 15.5 percent of GDP and domestic capital spending at 4.0 percent of GDP. Foreign financed capital expenditures were estimated at 4.7 percent of GDP. There were overruns in all categories of expenditure including wages and salaries, Goods and Services, interest payment and domestic capital expenditure. As a result, the overall budget deficit, including grants, widened to almost 9.0 percent of GDP. Excluding grants, the deficit was estimated at 11.5 percent of GDP. The deficit was financed largely by borrowing from the domestic banking system and the accumulation of arrears to suppliers and contractors estimated at Le1.5 trillion.

22. Broad money (M3) grew by 17.9 percent during 2016 and moderated to 7.0 percent during 2017 mainly due to the contraction in Net Foreign Assets (NFA) of the banking system, which more than outweighed the increase in Net Domestic Assets. Reserve money growth slowed down to 9.0 percent by end 2017 reflecting the decline in NFA of the Bank of Sierra Leone.

23. Bank credit to the private sector slowed down to 4.9 percent at end 2017 from 16.7 percent at end 2016. It continued to grow by 3.85 percent in Quarter 1, 2018 and is estimated to grow by 18.6 percent by end 2018. As a percentage of GDP, credit to the private sector increased moderately from of 5.0 percent of GDP in 2016 to 5.3 percent in 2017, lower than the Sub-Saharan African average of 20 percent.

24. Total exports recovered by 15.3 percent to US$670 million during 2016 largely due to the resumption of iron ore mining and gradual recovery of other mining activities. The value exports dropped by 4.9 in 2017 largely on account of the low level of diamond exports. Exports of timber, oil palm and plastic products were however, significant during 2017. The value of exports amounted to US$504 million during the first half of 2018

25. The value of total imports declined by 28.9 percent during 2016 due to the decline in the value of imports for food, machinery, transport equipment and mineral fuel and lubricants. However, the value of imports grew by 23.6 percent during 2017, which was mainly driven

by the increase in consumer goods, manufactured goods, machinery & transport equipment. As a result, the trade balance widened to US$454.4 million in 2017 from US$286.9 in 2016.

26. Total import value amounted to US$661.8 million during first half of 2018 and was 10 percent lower relative to the same period in 2017. Of this, the value of food imports was US$235.4 million; machinery and transport equipment, US$ 114.0 million; mineral fuel and lubricant (US$138.2 million); and manufactured goods (US$ 57.7 million).

27. Gross foreign reserves of the Bank of Sierra Leone amounted to US$ 503 million equivalent to 3.1 months of imports at the end of 2016 and amounted to US$ 503.80 or 3.0 months of import at end 2017. Major inflows during the year included aid disbursement/Balance of Payment support export receipts (royalties /taxes) and fishing royalties/licenses. Major outflows include payment for goods and services and Debt Service payments.

28. Gross foreign exchange reserves of the Bank of Sierra Leone amounted to US$488.29 million at end June 2018. Inflows during the period include export receipts including royalties on minerals and fisheries while outflows include disbursement to Embassies/Missions and Other Government activities.

29. The stock of public and publicly guaranteed external debt amounted to US$ 1,507.5 million (41.5 percent of GDP) at end 2017 compared to US$ 1,349.00 million (40.35 percent of GDP) at end 2016, a growth of 11.7 percent. The increase was mainly due to debt owed to Multilateral, Bilateral and Commercial creditors totaling US$ 1,134.8 million, US$ 177.61 million and US$ 195.05 million, respectively in 2017 which has surpassed the 2016 figures except for commercial which decreased by 2.9 percent.

30. The stock of domestic debt stood at Le 4.5 trillion representing 16.38 percent of GDP in 2017; comprising of Le 3.83 trillion of marketable securities and Le 687.6 billion of non-marketable treasury securities, compared to Le 3.49 trillion at end 2016. By end of 2017, treasury securities held by Commercial Banks were 61.76 percent, whilst Holdings of Bank of Sierra Leone and Non-Bank Public were 27.82 percent and 10.42 percent, respectively.

31. Total interest paid on domestic treasury securities increased to Le 535.28 billion in 2017 from Le 140.75 billion in 2016. The massive increase in 2017 was due to additional issuance of securities combined with the rise in interest rate on Treasury Bills, especially on the 364-day securities.

## 4. MEDIUM-TERM MACROECONOMIC FORECASTS, 2018 – 2023

32. In the medium-term (2018-2023), macroeconomic policies will aim at restoring macro-economic stability in order to achieve the fiscal objectives mentioned in section II of this report (lower budget deficits and sustainable debt levels) thereby laying the foundation for sustainable economic growth and poverty reduction.

33. Fiscal policy will focus on increasing domestic revenue through improved tax administration and investment friendly tax policy to support growth. At the same time, improving the management of public expenditures and debt to ensure fiscal and debt sustainability will remain a key priority of Government. Financial sector reforms will be geared towards ensuring financial stability and promoting financial intermediation and financial inclusion to improve access to finance.

34. The key objective of monetary policy in the medium-term is to ensure price stability and financial stability to support economic growth. Financial sector reforms will be geared towards enhancing financial inclusion to improve access to finance to support private sector investments.

35. Sectoral policies and reforms will support the diversification of the economy especially increasing productivity in agriculture, improving the governance and management of the fisheries and tourism sectors as well as improving the business environment to attract investment, promote sustainable economic growth and create jobs. Agriculture, mining, tourism and fisheries will play lead role in the diversification and growth of the economy supported by increased investment in infrastructure including roads, energy and water supply and improvements in the business environment.

**Box 4.1: Methodology for the Production of the Medium-Term Macro-Fiscal Forecasts: 2018-2023**

The macro-fiscal forecasts contained in the FSS were produced by the Macro-Fiscal Working Group of the Government of Sierra Leone comprising the Ministry of Finance, Bank of Sierra Leone, Statistics Sierra Leone (Stat-SL), National Revenue Authority (NRA) and the National Minerals Agency (NMA).

Prior to producing the forecasts, the Group carried out a Nation-wide Economic Prospects Survey during which economic agents including Government and private sector entities in the key sectors of the economy were interviewed on their current and planned investment activities. The Ministry of Finance led the survey on non-mining sectors including Agriculture, fisheries, tourism, energy, water, electricity, construction, manufacturing and the services sectors (telecommunications, banking and transportation). The NMA led the mining prospects survey during which discussions were held with the biggest mining companies on their current and future investment and production levels. Technical meetings between the Working Group led by the Ministry of Finance and the sector Ministries, Departments and agencies followed the surveys.

The forecasts were produced using the Sierra Leone Integrated Macroeconomic Model (SLIMM) and the Mineral Revenue Forecasting Model built with assistance from the Overseas Development Institute (ODI) and the International Monetary Fund (IMF), respectively. These forecasts will be discussed with the International Monetary Fund (IMF) Country Team during the negotiations for the new Extended Credit Facility (ECF) arrangement in September 2018.

### 4.1. Real Sector Projections: 2018-2023

### 4.1.1 Gross Domestic Product (GDP) by Sectors

36. 36. Real GDP growth is estimated at 3.7 percent for 2018 and projected at 5.5 percent for 2019 reflecting the moderate resumption of iron ore mining, increase in other mining output as well as growth in agriculture, manufacturing, construction and services. Average growth is projected at 5.2 percent for the period 2020-2023.

37. At the sectoral level, growth in agriculture will increase from 3.9 percent in 2018 to 4.1 percent in 2019 and average for the period 2020-2023 is projected at 4.7 percent. The crop sub-sector is estimated to grow by 4.7 percent for 2018 and 2019 and will increase to 5.3 percent in 2023.

38. Livestock sub-sector will grow by 2.8 percent in 2018 and 2019 and will continue to grow at an average of 3.4 percent up to 2023. Forestry is estimated to grow by 1.0 percent during 2018 and 2.0 percent during 2019 and will continue to grow by an average of 2.6 percent from 2020 to 2023. Fisheries sub-sector is projected to grow by 2.5 percent during 2018; 2.7 percent during 2019 and average 3.0 percent during 2020-2023.

39. Industry comprising mining, construction and manufacturing sub-sectors is projected to register a negative growth of 1.3 percent in 2018 due to the drop in mining output and lull in construction activities. The largest iron ore mines remained closed in 2018 due to weak market conditions and operational difficulties. The industry sector will recover by 15.4 percent during 2019 and is projected to grow by an average 7.6 percent over 2020-2023. Despite the projected contraction in output in mining and quarrying by 6.9 percent during 2018, output will recover by 26.8 percent during 2019, and average almost 10 percent over 2020-2023. After increasing in 2018 and 2019, diamond output will remain at the same level during the 2020-2023. Manufacturing and handicraft are estimated to grow by 3.3 percent in 2018 and projected to expand by 4.0 percent in 2019 and subsequently average 4.6 percent over the medium term.

40. Services will continue to grow at 4.7 percent in 2018 and 5.0 in 2019 and projected at 5.2 percent over the medium term. Growth in trade and tourism will increase from 3.3 percent during 2018 to average 4.7 percent over the next five years. Transport, storage and communications, will expand from 4.0 percent to average 4.5 percent. Finance, insurance and real estate will grow from 4.0 percent during 2018 to average by 4.1 percent over the medium term. Table 4.1 shows sectoral and overall GDP growth projections for 2018 to 2023.

Table 4.1: Sectoral and overall GDP Growth Projections for 2018 to 2023.

| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|
| **Agriculture, Forestry and Fishing** | 3.8 | 4.1 | 4.3 | 4.3 | 4.8 | 5.3 |
| Crops | 4.6 | 4.7 | 4.9 | 4.8 | 5.4 | 6.1 |
| o/w Rice | 5.0 | 5.5 | 5.7 | 5.8 | 6.0 | 6.3 |
| Other Food Crops | 4.0 | 4.0 | 4.3 | 4.0 | 5.0 | 6.0 |
| Cash crops | 3.5 | 3.5 | 3.6 | 3.7 | 4.0 | 4.5 |
| Livestock | 2.8 | 2.8 | 3.2 | 3.3 | 3.4 | 3.5 |
| Forestry | 1.0 | 2.0 | 2.2 | 2.5 | 2.8 | 3.0 |
| Fishery | 2.5 | 2.7 | 2.7 | 3.0 | 3.0 | 3.2 |
| **Industry** | (1.3) | 15.4 | 8.3 | 8.1 | 7.6 | 6.5 |
| Mining and Quarrying | (6.9) | 26.8 | 11.5 | 10.8 | 9.7 | 7.4 |
| Diamond | 138.0 | 2.6 | (0.1) | (0.1) | (1.7) | (1.6) |
| Iron Ore | (100.0) | 961,394,094.4 | 57.7 | 28.4 | 21.1 | 17.4 |
| Other Minerals | (14.7) | 6.9 | 4.0 | 21.2 | 23.0 | 10.0 |
| Quarrying | 2.0 | 3.0 | 3.0 | 3.0 | 3.0 | 5.0 |
| Manufacturing and Handicrafts | 3.3 | 4.0 | 4.2 | 4.5 | 4.5 | 5.0 |
| Electricity and Water Supply | 5.4 | 5.8 | 5.8 | 6.6 | 6.6 | 6.6 |
| Electricity | 5.5 | 6.0 | 6.0 | 7.0 | 7.0 | 7.0 |
| Water | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 |
| Construction | 5.7 | 5.5 | 5.0 | 5.0 | 5.0 | 5.0 |
| **Services** | 4.7 | 5.0 | 5.2 | 5.2 | 5.1 | 5.2 |
| Trade and Tourism | 3.0 | 4.3 | 4.5 | 4.5 | 5.0 | 5.5 |
| Wholesale & Retail | 3.0 | 4.3 | 4.5 | 4.5 | 5.0 | 5.5 |
| Hotels & Restaurants | 3.0 | 4.0 | 4.3 | 4.5 | 4.5 | 4.5 |
| Transport, Storage and Communication | 4.0 | 4.3 | 4.5 | 4.6 | 4.7 | 4.3 |
| Transport | 4.0 | 4.5 | 4.5 | 4.7 | 4.7 | 4.7 |
| Communication | 4.0 | 4.2 | 4.5 | 4.5 | 4.7 | 4.0 |
| Finance, Insurance and Real Estate | 4.0 | 4.1 | 4.2 | 4.0 | 4.0 | 4.0 |
| Administration of Public Services | 8.1 | 7.3 | 7.5 | 7.0 | 6.0 | 6.0 |
| Other Services | 5.0 | 4.8 | 4.9 | 5.0 | 5.0 | 5.0 |
| Education | 5.0 | 6.0 | 6.0 | 6.5 | 6.5 | 6.5 |
| Health | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 |
| NPISH | 4.8 | 4.8 | 4.8 | 4.8 | 4.8 | 4.8 |
| **FISIM** | 2.6 | 2.7 | 2.6 | 4.0 | 4.0 | 4.0 |
| **Real GDP at Basic Prices** | 3.8 | 5.5 | 5.1 | 5.0 | 5.2 | 5.4 |
| Indirect Taxes (Net) | 4.2 | 4.5 | 4.5 | 5.9 | 5.1 | 5.0 |
| **Real GDP Growth** | 3.7 | 5.5 | 5.0 | 5.1 | 5.2 | 5.4 |
| **Non-Iron ore Real GDP** | 5.8 | 4.5 | 4.5 | 4.8 | 4.9 | 5.2 |

Source: Macro-Fiscal Working Group (MOF, BSL, Stat-SL, NRA and NMA)

**Contribution to GDP (Expenditure Side)**

41. Consumption is the dominant component on the expenditure or demand side of GDP. Consumption will from 100 of GDP in 2018 to 91 percent of GDP in 2023. Household consumption will average 82 percent during 2018 -2023 while government consumption is projected to average 11 percent of GDP.

42. Investments are projected to increase from 20 percent of GDP in 2018 to 24 percent of GDP in 2023. Gross Fixed Capital Formation will average 15 percent while government investments will average 7.0 percent.

43. Export of goods will average 16.0 percent of GDP over the period 2018 -2023 while import of goods will average 30.0 percent of GDP; Export of services is projected to average 8.0 percent of GDP and import of services projected to to average 11.0 percent of GDP during 2018-2023.

Table 4.2: GDP by Expenditure (% of GDP)

| ! | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|
| **Consumption** | 100 | 96 | 94 | 93 | 91 | 91 |
| Household | 88 | 84 | 82 | 81 | 79 | 79 |
| Government | 11 | 11 | 11 | 11 | 11 | 11 |
| | | | | | | |
| **Investment** | 20 | 21 | 25 | 25 | 23 | 24 |
| o/w Government | 7 | 7 | 7 | 8 | 8 | 8 |
| **Balance on Goods & Services** | (20) | (17) | (18) | (18) | (14) | (15) |
| Exports of Goods | 14 | 16 | 15 | 16 | 18 | 17 |
| Imports of Goods | (33) | (31) | (31) | (30) | (29) | (29) |
| Exports of Services | 9 | 8 | 8 | 8 | 9 | 8 |
| Imports of Services | (11) | (10) | (11) | (11) | (12) | (12) |
| Nominal GDP | 100 | 100 | 100 | 100 | 100 | 100 |

Source: Macro-Fiscal working Group (MOF, BSL, Stat-SL, NRA and NMA)

## 4.2. Inflation

44. Inflationary pressures are expected to continue to increase during the second half of 2018 largely on account of the liberalization of petroleum product prices and depreciation of the exchange rate. End of period inflation will increase to 15.8 percent in 2018. However, inflationary pressures will moderate in subsequent years with end of period inflation falling to 13.2 percent in 2019, 10.8 percent in 2020 and return to single digits during 2021-2023. Average inflation will fall from 15.6 percent in 2018 to 9.0 in 2023.

45. The decline in inflation will be driven mainly by stability in the exchange, tight monetary policy supported by prudent fiscal policy as well as improvement in domestic food production. However, there are a downside risks including possible continued increase in international fuel price and depreciation of the exchange rate and consequent pass through effect on domestic prices.

46. Therefore, in the medium-term, the focus of monetary policy will be to achieve low and stable inflation while maintaining financial stability.

47. To achieve this objective, the BSL will continue to use market-based instruments to steer the overnight interbank rate within the Monetary Policy Rate Corridor. In addition, the BSL will also aim at building foreign exchange reserves in order to better insulate the economy from external shocks and ultimately anchor inflationary expectation in the economy.

Table 4.3: Inflation Forecasts (2018-2023)

| ` | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|
| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| Consumer prices (e.o.p) | 15.3 | 15.8 | 13.2 | 10.8 | 9.5 | 9.4 | 8.1 |
| Consumer prices (An. Av.) | 18.3 | 15.6 | 14.6 | 11.7 | 9.6 | 9.2 | 9 |

Source: Macro-Fiscal Working Group (MOF, BSL, Stat-SL, NRA and NMA)

### 4.3. External Sector Forecasts: 2018-2023

**Exports of Goods**

48. Exports will recover by 22.9 percent in 2019 from a contraction of 11.0 percent in 2018. The recovery in exports will be driven by the recommencement of iron ore mining increase in non-iron ore mineral exports as well as agricultural including fish and light manufactured exports (mostly plastics). Export growth will average 11.1 percent over the medium-term with increase in output of minerals as Shandong Iron and Steel Group resumes iron ore mining at the Tonkolili Mine.

**Imports of Goods**

49. Imports are projected to increase by 4.2 percent in 2019 and anticipated to average around 6.0 percent over the period 2020-2023 in line with the growth of the economy. Growth in imports will be driven by the importation of machinery and transport equipment and petroleum products to support mining related agricultural and manufacturing activities.

**Current Account**

50. The current account deficit including transfers is projected to decline from 15.1 percent of GDP in 2018 to 12.1 percent of GDP in 2019 and average around 11.9 percent of GDP over 2020 – 2023. The decline will be largely driven by increase in exports and a stable level of current transfers.

**Balance of Payments**

51. The balance of payments will improve from a deficit of 7.1 percent of GDP during 2018 to 5.1 percent during 2022 on account of the projected inflow of foreign direct investments and current transfers, which will finance a declining current account deficit. **Foreign Direct investment** is projected to grow in line with the growth of the economy.

**Gross Foreign Exchange Reserves**

52. The gross foreign exchange reserves are programmed to increase from US$482 million during 2018 to US$ 501 million during 2019. In terms of months of imports, gross reserves will be maintained at 3.0 months during this period. Gross reserves will increase to US$ 560.1 million or 3.1 months of imports at end 2020 to US$ 718.2 million or 3.2 months of imports by 2023.

Table 4.4: Selected Economic Indicators

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|
| **Income & Expenditure** | | | | | | | |
| Real GDP | 3.8 | 3.7 | 5.5 | 5.0 | 5.1 | 5.2 | 5.4 |
| Excluding Iron ore | 3.6 | 5.7 | 4.5 | 4.5 | 4.8 | 4.9 | 5.2 |
| GDP deflator | 9.6 | 10.8 | 5.2 | 10.8 | 8.0 | 11.4 | 5.6 |
| Consumer prices (end of period) | 16.1 | 15.8 | 13.2 | 10.8 | 9.5 | 9.4 | 8.1 |
| Consumer prices (annual average) | 18.2 | 15.6 | 14.6 | 11.7 | 9.6 | 9.2 | 9.0 |
| | | | | | | | |
| **Money & Credit** | | | | | | | |
| Broad Money | 7.0 | 15.8 | 14.8 | 13.9 | 10.8 | 8.7 | 8.5 |
| Velocity | 4.2 | 4.1 | 4.1 | 3.9 | 3.9 | 3.9 | 3.9 |
| Domestic credit | 19.6 | 23.8 | 10.1 | 10.4 | 7.9 | 7.4 | 6.2 |
| *Government* | *34.7* | *26.3* | *11.3* | *11.2* | *8.3* | *7.3* | *5.7* |
| *Private sector* | -6.0 | 23.8 | 8.7 | 9.9 | 8.2 | 9.0 | 8.9 |
| Reserve Money | 9.0 | 6.0 | 14.1 | 14.7 | 10.6 | 8.6 | 8.6 |
| | | | | | | | |
| **External Sector** | | | | | | | |
| Official Exports (U.S. dollars) | -4.9 | -11.0 | 22.9 | 3.7 | 13.7 | 21.6 | 5.5 |
| Official Imports (U.S. dollars) | 23.6 | 11.6 | 4.2 | 5.5 | 5.8 | 6.2 | 6.6 |
| | | | | **% of GDP** | | | |
| Current Account Balance | | | | | | | |
| Including Official Transfers | -10.8 | -15.1 | -12.1 | -13.6 | -13.3 | -9.7 | -10.7 |
| Excluding Official Transfers | -16.0 | -16.8 | -13.6 | -15.0 | -14.5 | -10.9 | -11.7 |
| Overall Balance of Payments | | -7.1 | -5.8 | -7.4 | -5.2 | 0.7 | -0.6 |
| | | | | | | | |
| **Fiscal Sector** | | | | | | | |
| Government Income | 17.9 | 17.9 | 19.6 | 18.1 | 19.0 | 19.6 | 20.7 |
| *Domestic Revenue* | **12.6** | **14.3** | **15.7** | **15.9** | **17.5** | **18.6** | *20.0* |
| *Grants* | *2.5* | *2.9* | *2.8* | *2.3* | *1.5* | *1.0* | *0.7* |
| Total expenditure | 23.4 | 23.8 | 21.3 | 20.0 | 20.6 | 20.8 | 21.0 |
| *Current Expenditure* | *15.0* | *16.6* | *16.4* | *14.0* | *14.5* | *14.4* | *14.3* |
| *Capital Expenditure* | *7.1* | *7.1* | *6.5* | *5.9* | *6.1* | *6.4* | *6.8* |
| *Domestic Capital Expenditure* | *2.6* | *2.6* | *3.0* | *3.0* | *3.5* | *4.1* | *4.6* |
| Overall fiscal balance | | | | | | | |
| (including grants and MDRI) | -5.8 | -7.3 | -4.4 | -1.8 | -1.6 | -1.2 | -0.3 |
| (excluding grants and MDRI) | -8.8 | -10.2 | -7.2 | -4.1 | -3.1 | -2.2 | -1.0 |
| Financing gap | 0.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Outstanding debt (domestic and external) | 58.0 | 62.3 | 62.9 | 63.8 | 62.3 | 59.6 | 56.9 |
| | | | | | | | |
| **Memorandum Items** | | | | | | | |
| Gross International Reserves ($ m) | **500.2** | **482.0** | **501.5** | **560.8** | **621.8** | **667.8** | **718.2** |
| *(in months of imports)* | **3.5** | **3.0** | **3.0** | **3.1** | **3.2** | **3.2** | **3.2** |
| Nominal GDP ($ m) | 3,741 | 4,047 | 4,394 | 4,749 | 5,132 | 5,631 | 6,073 |
| Nominal GDP (Le m) | 27,406,254 | 31,066,953 | 35,107,547 | 38,793,042 | 42,287,630 | 46,682,745 | 50,519,297 |

Source: Macro-Fiscal Working Group (MOF,BSL,Stat-SL and NRA)

53. The PFM Act (2016) requires the Ministry of Finance to compare macroeconomic and fiscal forecasts of the Government with those of international organisations and independent bodies. Accordingly, the table below presents the forecasts from the IMF, which are actually forecasts with inputs from staff of the Government of Sierra Leone. Moreover, the indicators have been discussed and agreed with the Government.

54. The projections indicate that overall, there are only minor differences between the GoSL forecasts and those of the IMF with generally similar trends. With respect to economic growth, the forecasts are almost the same while for inflation, the Government is slightly a bit optimistic than the Fund about the future trajectory of inflation. The Government expects inflation to hit single digit by 2021 while the IMF is projecting inflation to reach single digit by 2022. Although, domestic revenue is trending upwards in both scenarios, Government is more optimistic in terms of revenue growth largely reflecting the strong revenue measures to be implemented and efficiency gains over the medium term. Other indicators follow broadly similar trends with virtually no major discrepancy in the projected evolution of the key

indicators as shown in table 4.4 above (Forecasts by Macro-Fiscal Working Group) and table 4.5 below (Forecasts agreed with the IMF).

Table 4.5: IMF projections and Estimates

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|
| | Pre | Proj | Proj | Proj | Proj | Proj |
| **National account and prices** | | | | | | |
| **Growth** | | | | | | |
| GDP at constsant prices | 3.8 | 3.7 | 5.4 | 5.4 | 5.1 | 5.1 |
| GDP excluding iron ore | 3.6 | 5.7 | 5.1 | 4.9 | 4.8 | 4.8 |
| **Inflation** | | | | | | |
| Consumer price(end-of-period) | 15.3 | 18.0 | 14.0 | 12.0 | 10.2 | 9.0 |
| Consumer prices(average) | 18.2 | 16.6 | 16.0 | 13.0 | 11.1 | 9.6 |
| **External Sector** | | | | | | |
| Exports of goods | -4.9 | 3.2 | 37.6 | 8.8 | 10.2 | 11.7 |
| Imports of goods | 23.6 | 8.6 | 5.7 | 5.3 | 5.6 | 5.8 |
| Gross Intwrnational Reserves, months of imports 1/ | 3.8 | 3.2 | 3.4 | 3.4 | 3.3 | 3.1 |
| **Money, credit and reserves** | | | | | | |
| Domestic credit to the private sector | 4.9 | 20.6 | 8.9 | 14.1 | 17.8 | 14 |
| Base money | 9.0 | 17.5 | 16.4 | 14.5 | 12.8 | 11.7 |
| M3 | 7.0 | 19.8 | 16.4 | 14.5 | 12.8 | 11.7 |
| Net Intl. Reserves(in US$ millions) | 169 | 130 | 152 | 175 | 200 | 225 |
| Gross Intl.Reserves (in US$ millions) | 534 | 511 | 561 | 598 | 623 | 610 |
| (Percent of non-iron ore GDP, unless otherwise indicated) | | | | | | |
| **National accounts** | | | | | | |
| Gross capital formation | 19.2 | 17.9 | 16.8 | 18.1 | 18.2 | 19.8 |
| Government | 8.5 | 7.1 | 6.1 | 7.1 | 7.5 | 7.9 |
| Private | 10.6 | 10.8 | 10.7 | 11.1 | 10.7 | 11.9 |
| National savings | 7.1 | 4.0 | 4.1 | 6.8 | 7.3 | 9.4 |
| **Financing and debt** | | | | | | |
| Public debt | 61.5 | 71.9 | 66.2 | 67.3 | 66.9 | 64.5 |
| Domestic | 16.5 | 25.3 | 19.6 | 20.4 | 20.1 | 18.7 |
| External public debt(including IMF) | 44.5 | 42.9 | 46.6 | 46.9 | 46.8 | 45.8 |
| **External Sector** | | | | | | |
| Current account balance 3/ | | | | | | |
| (including official grants) | -12 | -13.9 | -12.7 | -11.3 | -10.9 | -10.5 |
| (excluding official grants) | -19.1 | -17.5 | -15.4 | -13.9 | -13.4 | -12.7 |
| **Central Government Budget** | | | | | | |
| Overall balance (incl grants) | -8.7 | -6.8 | -4 | -4.7 | -4.6 | -4.7 |
| Overall balance (iexcl grants) | -11.2 | -9.9 | -6.3 | -6.6 | -6.4 | -6.4 |
| Revenue | 12.2 | 13.8 | 14.4 | 15.4 | 16.3 | 16.5 |
| Expenditures | 23.4 | 23.6 | 20.7 | 21.9 | 22.7 | 22.9 |
| **Memorandum item:** | | | | | | |
| GDP at market prices(billion of Leone) | 27,611 | 31,722 | 37,180 | 44,221 | 51,574 | 59,455 |
| Excluding iron ore | 27,402 | 31,722 | 36,835 | 43,277 | 49,976 | 57,101 |
| Excluding iron ore in millions of US$ | 3,720 | 3,897 | 3,945 | 4,118 | 4,298 | 4,533 |
| Per capita GDP (US$) | 506 | 515 | 515 | 532 | 549 | 572 |
| National currency per US dollar(average) | 7,366 | 8,140 | 9,337 | 10,508 | 11,627 | 12,596 |
| National currency per US dollar(EOP) | 7,537 | 8,743 | 9,932 | 11,084 | 12,170 | 13,022 |
| Sources: Sierra Leonean authorities, and fund staff estimate and projections | | | | | | |

## 5. FISCAL POLICY

### 5.1. Fiscal Developments During 2016 - 2017 the First Half 2018

**Domestic Revenue Performance, 2016-17 and First Half 2018**

55. After collapsing to 10.8 percent of GDP in 2015 owing to the severe contraction of economic activities, which was in turn due to the two shocks, dmestic revenue collected stagnated at 12.1 percent of GDP in 2016. Although domestic revenues increased to 12.6 percent of GDP in 2017, it was nonetheless lower than the target of 13.2 percent of GDP.

Table 5.1: Government revenue and grants 2016 – 2017

| In billions of Leones | Actual 2016 | % of Non -iron ore GDP | Actual 2017 | % of Non -iron ore GDP | Projections 2018 | % of Non -iron ore GDP |
|---|---|---|---|---|---|---|
| **Total revenue and grants** | 3,615.0 | 15.2 | 4,023.1 | 15.1 | 5,590.0 | 17.5 |
| **Domestic Revenue** | 2,888.0 | 12.1 | 3,339.9 | 12.6 | 14,455.6 | 14.3 |
| **Income tax** | 1,269.0 | 5.3 | 1,188.6 | 4.5 | 1,661.7 | 4.8 |
| **GST** | 660.0 | 2.8 | 714.0 | 2.7 | 899.8 | 2.6 |
| **Customs & Excise** | 570.0 | 2.4 | 909.8 | 3.4 | 980.0 | 2.9 |
| **Mines department** | 155.5 | 0.7 | 149.0 | 0.6 | 205.3 | 0.6 |
| **Other Departments** | 138.8 | 0.6 | 237.7 | 0.9 | 769.6 | 2.1 |
| **Road User Charge &VL** | 89.0 | 0.4 | 140.9 | 0.5 | 128.9 | 0.4 |
| **Grants** | 726.7 | 3.1 | 683.2 | 2.6 | 978.5 | 3.2 |
| **Programme** | 192.6 | 0.8 | 163.9 | 0.6 | 584.5 | 1.9 |
| **Projects** | 525.3 | 2.2 | 519.3 | 2.0 | 386.0 | 1.3 |

Source: Budget Bureau, MOF

56. The implementation of revenue-enhancing measures following the issuance of Executive Order 1 in Quarter 2 of 2018 by His Excellency Dr. Julius Maada Bio resulted in significant improvement in revenue in Quarter 2, 2018. Between April and June 2018, the Government collected a total of Le 1.10 trillion of domestic revenues (a monthly average of Le 365.5 billion, far exceeding the monthly collection of Le 271billion for the same period in 2017), reflecting strong efforts by the Government to stop revenue leakages and curb excessive duty waivers. The implementation of the Treasury Single Account (TSA) in line with the Fiscal Management and Control Act, 2016 also contributed to the improvement in revenues. Total collections from TSA agencies amounted to Le104 billion during April to June, including Le 60 billion transferred into the Consolidated Revenue Fund from their balances held at the commercial banks.

57. Overall, domestic revenue collection in the first half of 2018 amounted to Le 2.01 trillion. Income taxes contributed Le734.9 billion; Goods and Services Tax (Le409.2 billion); Customs and Excise (Le390.7); Mines Le (127.4 billion); and Other Government Departments (Le328.1billion), including revenues collected from TSA Agencies and royalty

on Timber of Le 409.3 billion. Road User Chargers and Vehicle Licenses amounted to Le20.28 billion.

58. The upward revision of the original revenue target is the result of Government's improved revenue drive under the New Direction. Key amongst these measures are the rationalization of duty and tax exemptions as well as the full implementation of the Treasury Single Account, which now requires all MDAs that earlier collected and retained Government revenue to transfer in full such funds into the Consolidated Revenue Fund.

59. Other revenue measures that are being implemented since mid-July 2018 include the revision of import duty rates to ensure consistency with the ECOWAS Common External Tariff (CET) and the liberalization of retail fuel pricing. Total domestic revenue is projected to reach 15.0 percent of GDP by end 2018 compared to the earlier target of 13.6 percent and from the actual amount collected 12.6 percent of GDP in 2017.

**Grants: 2016-2017 and First Half 2018**

60. Total grants received in 2016 amounted to Le 727 billion (3.1 percent of GDP), of which budget support amounted to Le 193 billion. In 2017, total grants received dropped to Le 683 billion (2.6 percent of GDP, and also lower than the revised target of Le 800 billion (2.8 percent of GDP). Out of this, budget support amounted to Le 136.7 billion (0.5 percent of GDP), below the programme target of Le 348 billion (1.2 percent of GDP). The non-disbursement of budget support by the World Bank (US$8 million), and DfID (US$20.4 million) contributed to the drop in grants received in 2017. In total, therefore, about Le 211.3 billion of programme grants to support budget execution were not received. Project grants amounted to Le 519 billion (1.8 percent of GDP) in 2017, above the revised budgeted amount of Le 369 billion (1.3 percent of GDP).

61. Total grants (mostly project grants) received as at end June 2018, amounted to Le 199.66 billion, of which HIPC Debt Relief assistance amounted to Le 6.6 billion. No budget support has been received for the first half of 2018. Grants are however, projected to amount to Le 1.02 trillion (3.3 percent of GDP) in 2018; of which budget support is estimated at Le 574.2 billion.

**Government Expenditure: 2016 -2017 and First Half 2018**

62. Total expenditure and net lending amounted to Le5.4 billion (22.8 percent of GDP) in 2016. Of this, recurrent expenditure amounted to Le 3.6 trillion (14.9 percent of GDP) and capital expenditures amounted to Le 2.0 trillion (8.6 percent of GDP. Domestic capital expenditures amounted to Le 1.0 trillion (4.2 percent of GDP).

63. Total expenditure and net lending amounted to Le 6.4 trillion (22.4 percent of GDP) in 2017, compared to the budgeted amount of Le 6.2 trillion (21.8 percent of GDP), resulting in an overrun of Le 180.6 billion. Recurrent expenditures increased to Le 4.12 trillion (14.4 percent of GDP), but fell slightly below the revised target of Le4.14 trillion. Capital

expenditure also increased to Le 2.3 trillion (8.0 percent of GDP) and above the revised target of Le 2.08 trillion (7.3 percent of GDP)

64. The wage bill accounted for 57 percent of domestic revenue Le 1.89 trillion (6.6 percent of GDP) in 2017. This amount was also higher than the revised target of Le 1.8 trillion (6.4 percent of GDP).

Table 5.2: Government Expenditures -2016-2018 (Projections)

| In billions of Leones | Actual 2016 | % of Non - iron ore GDP | Actual 2017 | % of Non - iron ore GDP | Projected 2018 | % of Non -iron ore GDP |
|---|---|---|---|---|---|---|
| Expenditure & net lending | 5,440.60 | 22.8 | 6,406 | 22.4 | 7,383.37 | 23.8 |
| Recurrent expenditure | 3,553.30 | 14.9 | 4,120.60 | 14.4 | 5,173.69 | 16.6 |
| Wages and salaries | 1,817.50 | 7.6 | 1,890.20 | 6.6 | 2,067.80 | 6.7 |
| Goods and services | 1,138.50 | 4.8 | 1,079.20 | 3.8 | 1300 | 4.2 |
| Interest payments | 201.86 | 0.6 | 602.05 | 2.1 | 951.01 | 3.1 |
| Capital expenditure | 2,038.00 | 8.6 | 2,284.90 | 8.1 | 2,209 | 7.1 |
| Foreign financed | 1,033.50 | 4.3 | 1,246.40 | 4.4 | 1,409 | 4.5 |
| Domestic financed | 1,005.20 | 4.2 | 1,061.20 | 3.7 | 800.7 | 2.6 |
| Net Lending | 151.4 | 0.6 | 23.1 | -0.1 | 0 | 0 |
| Contingent | 78.7 | 0.3 | 6.1 | 0 | 108.2 | -0.4 |

Source: Ministry of Finance

65. Total expenditures and net lending amounted to Le 3.20 trillion in the first half of 2018. Recurrent expenditures amounted to Le2.1 trillion, including wages and salaries of Le1.05 trillion, Goods and Services (Le383 billion), Subsidies and transfers (Le174.3 billion) and interest payments (Le472.96 billion. Total Capital expenditures amounted to Le1.1 trillion, of which domestic funded capital expenditure amounted to Le400.9 billion.

66. Total expenditure is revised upwards to Le 7.4 trillion (23.8 percent of GDP) by the end of 2018. This is higher than the original budget of Le 7.28 trillion due to the introduction of Free Quality Education. The higher expenditures are also meant to support the implementation of several mitigating measures to ameliorate the impact of the liberalisation of fuel prices on the poor and vulnerable.

**Budget Deficit and Financing: 2016 - 2017 and First Half 2018**

67. The overall budget deficit including grants increased from 7.7 percent of GDP in 2016 to 8.3 percent of GDP in 2017. Excluding grants, the deficit widened to 10.7 percent of GDP in 2017. The deficit including grants is estimated at 3.1 percent of GDP at the end of the first half of 2018. Excluding grants, the deficit is estimated at 3.8 percent of GDP at the end of the first half of 2018. The domestic primary deficit increased from 6.4 percent of GDP in 2016 to 6.2 in 2017. It is estimated at 1.6 percent of GDP for the first of 2018.

68. The budget deficits incurred during the period were financed mainly through domestic borrowing. Domestic financing remained at 3.6 percent of GDP during 2016 and 2017 and is expected to narrow to 4.2 percent of GDP in 2018.

## 5.2. Medium-Term Fiscal Forecasts: 2018 – 2023

### 5.2.1 Revenue Projections: 2018-2023

69. **Domestic revenue** is projected at Le 4.46 trillion (14.3 percent) of GDP for 2018. Domestic revenue will increase to Le5.66 trillion (16.1 percent of GDP) in 2019 and further to Le 11.9 trillion (20.0 percent of GDP) in 2023.

70. **Income taxes** are projected at Le 1.63 trillion or 5.2 percent of GDP during 2018. Income taxes will increase to Le 2.02 trillion (5.7 percent of GDP) in 2019 and subsequently to Le 4.01 trillion (6.8 percent of GDP) in 2023.

71. **Goods and Services Tax (GST)** is projected at Le 900.2 billion (2.9 percent of GDP) in 2018. GST is forecast to grow to Le 1.09 trillion (3.2 percent of GDP) during 2019 and will reach Le 2.51 trillion (4.2 percent of GDP) by 2023.

72. **Customs and Excise** duties are projected at Le 951.7 billion (3.1 percent of GDP) for 2018. Customs and Excise duties are projected to increase to Le 1.45 trillion (4.1 percent of GDP) in 2019 and increase further to Le 2.85 trillion (4.8 percent of GDP) in 2023. Of the total excises, Petroleum excise duty will increase from an estimated Le 323 billion (1.0 percent of GDP) in 2018 to Le 590 billion (1.7 percent of GDP) in 2019 and will reach Le 980 billion (1.6 percent of GDP) in 2023.

73. **Mining revenues** will increase from Le 220.6 billion (0.7 percent of GDP) during 2018 to 228.69 billion in 2019, remaining at a similar ratio with respect to GDP. Mining revenues are projected to increase to Le 488.7 billion (0.8 percent of GDP) during 2023. Of the total mining revenue, royalties are estimated at Le 148.0 billion (0.5 percent of GDP) in 2018, gradually increasing to Le 291 billion (0.6 percent of GDP) by 2023.

74. **Revenue from Other Government Ministries, Departments and Agencies** including fisheries, parastatal dividends, TSA agencies, royalty on timber and other MDAs are projected to amount to Le 627.3 billion (2.0 percent of GDP) during 2018. Revenues collected from these sources will increase to Le 751.7 billion (2.1 percent of GDP) during 2019 and further increase to Le 1.86 trillion (3.1 percent of GDP) during 2023.

75. **Road User Charges and Vehicles Licenses are** projected at Le 128.9 billion (0.4 percent of GDP) during 2018 and will increase to Le 185.4 billion (0.3 percent of GDP in 2023.

### 5.2.2 Grants

76. Total grants are projected at 3.3 percent of GDP in 2018. Of this, programme grants are estimated at 2.0 percent while projects 1.2 percent. Overall, grants are projected to decline in the medium-term to less than 1.0 percent of GDP in 2023. Programme grants will decline to 1.1 percent while project grants will reach 0.7 percent by 2023.

Table 5.3: Domestic Revenue projections (% of GDP) – 2018 - 2023

| Revenue Stream | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|
| Domestic Revenue | 14.3 | 15.7 | 15.9 | 17.5 | 18.6 | 20.0 |
| Domestic Tax Department | 8.1 | 8.9 | 8.4 | 9.3 | 10.1 | 11.0 |
| Income Tax | 5.2 | 5.7 | 5.3 | 5.8 | 6.3 | 6.8 |
| Corporate Tax: | 1.0 | 1.3 | 1.3 | 1.4 | 1.5 | 1.7 |
| Personal Income Tax: | 4.1 | 4.3 | 4.0 | 4.4 | 4.7 | 5.1 |
| | - | - | - | - | - | - |
| Goods and Services Tax (GST) | 2.9 | 3.1 | 3.1 | 3.5 | 3.8 | 4.2 |
| Domestic GST | 1.6 | 1.3 | 1.8 | 2.0 | 2.1 | 2.4 |
| Import GST | 1.3 | 1.8 | 1.3 | 1.5 | 1.6 | 1.8 |
| Customs and Excise Department | 3.1 | 4.1 | 4.0 | 4.3 | 4.5 | 4.8 |
| Import Duties | 1.9 | 2.3 | 2.2 | 2.5 | 2.7 | 3.0 |
| Excise Duty on Fuel | 1.0 | 1.7 | 1.6 | 1.6 | 1.6 | 1.6 |
| | | - | - | - | - | - |
| Mines Department | 0.7 | 0.7 | 0.6 | 0.8 | 0.8 | 0.8 |
| Minerals Royalties | 0.5 | 0.4 | 0.4 | 0.5 | 0.6 | 0.7 |
| Minerals Licenses | 0.2 | 0.3 | 0.2 | 0.2 | 0.2 | 0.2 |
| Other Departments | 2.0 | 2.1 | 2.6 | 2.8 | 3.0 | 3.1 |
| Marine resources | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.4 |
| Parastatal Dividends | 0.1 | 0.4 | 0.1 | 0.2 | 0.2 | 0.1 |
| Other revenues (Including Timber&TSA) | 1.6 | 1.4 | 2.2 | 2.4 | 2.5 | 2.6 |
| Road User Charges & Vehicle Licenc | 0.4 | 0.4 | 0.3 | 0.3 | 0.3 | 0.3 |

Source: Macro-fiscal Forecasts from SLIM Model

### 5.2.3 Measures to Achieve the Revenue Targets in the short to Medium Term

77. Several documents have been developed to guide domestic revenue mobilisation and administration in the medium term. These documents include the NRA Strategic Plan 2018-22, the Medium-Term Revenue Mobilisation Strategy 2017-21, Technical Assistance Reports from the IMF Fiscal Affairs Department and the Public Financial Management Reform Strategy 2018-21. The short and medium-term revenue mobilisation measures mentioned below have largely been drawn from these documents in addition to other innovations guided by the new Commissioner-General since he took office recently.

**Short Term Revenue Mobilisation Measures (2018-2019)**

**(i)** **Develop and implement a comprehensive, accurate, up-to-date and reliable taxpayer database.** Non-compliance with business registration and tax payments is considered to be a significant source of revenue leakages. Linked to that, there is inadequate coverage for the Tax Identification Number (TIN), as well as for GST registration. Duplications in the TIN Register are a common occurrence and there is a lack of harmonisation between TIN and GST Registers. A registration strategy is therefore being designed and implemented, involving the clean-up of the TIN register and the harmonization of the TIN and GST registers. Spot checks are being conducted by NRA to ensure all businesses and individuals have TIN and are GST-registered. The NRA will also undertake inspections and surveys of businesses to update the taxpayer database.

**(ii)** **Explore the property tax potential** to mobilise domestic revenues. A Rental Income Tax unit has been reestablished at the NRA to enhance the rental property database and implement an enforcement programme for collecting rental income tax. Third party data from Stats SL, EDSA and Local Governmentis being gathered to enhance the rental database.

**(iii)** **Gathering third party data for data matching purposes**. Also includes compliance checks and conducting compliance audit on misclassification of employees as contractors. This will also necessitate the full implementation of CEN for tracking Customs intelligence data.

**(iv)** **Improving Sierra Leone's GST "c-efficiency".** The percentage of GST-registered businesses and those filing GST returns is low, as GST administration is not automated in Sierra Leone. The NRA is on course to introduce the use of Electronic Cash Registers for the administration of GST.

**(v)** **Implementing other specific measures to widen the revenue base.** There is evidence of notable noncompliance across a range of revenue instruments. Compliance is weakened by gaps and fragmentation of transactions and tax liability data as well as by the absence of a tax court. Tax compliance measures being taken include enforcing the payment of (i) income tax by professionals; (ii) rental income tax payments by landlords; and (iii) capital-gains tax by property buyers. The use of third-party data provided by MDAs will help in this direction.

**(vi)** **Enhance Customs Valuation.** Whilst awaiting the installation of the ASYCUDA World, the current ASYCUDA++ is being interfaced with a Price Reference Database to improve valuation of imports. Third Party sources with original commercial invoices are also being used to challenge under-declared import values.

**(vii)** **Review and standardize processing and clearance of transit goods**. Transit procedures in Sierra Leone have been revised in line with best practice and the NRA is also conducting a study to understand the factors for the rising trends of transit goods through Sierra Leone with the aim of addressing any adverse revenue implications it may have.

**(viii)** **Enhance NRA Integrity Mechanisms.** Staff integrity is crucial to reducing revenue leakages. The NRA will closely monitor the NRA aspect of the Anti-Corruption strategy, finalise and approve the whistle blower policy, recruit whistle blowers, train procurement staff on procurement laws and regulations, and undertake refresher awareness meetings on integrity issues.

**(ix)** **Enhance cooperation and collaborative strategy with all stakeholders.** Revenue collection involves multitude of stakeholders who will provide information that will inform compliance improvement. Therefore, the NRA is currently developing a stakeholders' engagement strategy, which it intends to implement in the short term; enhance cooperation with government agencies; and establish a mechanism for NRA-to-business partnership. Currently, the NRA is holding meetings with TSA agencies to carry out enforcement activities jointly to ensure they are on target with their revenue projections. NRA has also deployed staff in their offices for collection of the targeted revenues.

**(x)** **Develop an overarching communication strategy and information dissemination platform:** This will involve developing and implementing a media engagement strategy, regularly updating the NRA website and developing a common information hub for import and export regulations.

**(xi)** **Deploy ASYCUDA World at Queen Elizabeth II Quay** and Customs House that will simplify the clearance process and make it faster for our traders; and also has with it an inbuilt valuation module to improve customs valuation, therefore minimize revenue leakages.

**(xii)** The NRA will further **implement the Post Clearance Audit monitoring systems** to improve compliance in customs declaration.

**(xiii)** **Implement an Automated Payment Gateway and Reconciliation System**; and integrate with all banking and GOSL systems. Complete reconciliation of revenue in terms of tax assessed, collections, transfers and arrears does not take place; the only reconciliation that occurs at least quarterly is between actual revenue collections and transfers to the CRF.

**(xiv)** **Collaborate with MoF to review the Abuse of Tax Incentives** to ensure they are not over-generous to the extent that government loses the much-needed revenues for public service delivery. There can be discretionary exemptions on GST, customs and income tax leading to significant revenue loss and no clear benefit to economy. Mechanisms will be put in place to ensure no granting of new exemptions.

**(xv)** **Adopting ECOWAS Common External Tariff (CET**). In June 2018, Sierra Leone commenced the implementation of the ECOWAS CET, with a likely net positive effect on Customs revenue as the tariff rates will raise on average when the CET is fully implemented.

**(xvi)** **Improving Voluntary Compliance through Aggressive Taxpayer Education and Sensitization**. The tax regime and administrative procedures System seem too complicated for Small and Medium-sized Enterprise (SMEs) thus raising compliance costs and reducing compliance rate. The NRA is therefore implementing a nation-wide tax education programme supported by OSIWA in this respect. Additionally, a Taxpayer Assistance Strategy has been developed and is being implemented.

**(xvii)** **Close monitoring of Petroleum uplifts and Upfront Payment of Duties and Charges on Petroleum Products**: The payment of import duty, excise duty and road user charges by OMCs has not been timely. Currently, a mechanism has been put in place with OMCs paying duties and charges upfront (not later than one week) prior to uplifting based on quantity of fuel to be uplifted and NRA assessment. This system would be maintained.

**(xviii)** NRA, PRA and OMCs will now jointly conduct weekly forecasts of Petroleum Excise volumes. NRA and BSL are also to finalize arrangement to install ASYCUDA at BSL to help track payments in respect of petroleum revenues and hence aid compliance. Further, NRA has posted new staff at the petroleum warehouses, capacitating them with installation of computers and seals to ensure NRA is in full control of opening and closure of these warehouses.

(xix) **Tracking Tax Obligations/Arrears and Applying Enforcement Measures:** Letters to enforce tax payment are being sent to companies with outstanding tax liabilities to recover tax arrears. The NRA has also requested BSL to deny any external repatriation of funds from these companies until their tax compliance improves. Other companies that could not respond to notice of enforcement will have their premises sealed.

(xx) The NRA is also currently **auditing GST registered businesses** of both LTO and MTO cases that claim huge GST credits, causing them to not pay domestic GST to Government.

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**Medium Term Revenue Mobilisation Strategies (2020-2023)**

(i) **Implementing Integrated Tax Administration System (ITAS) for domestic taxes.** The implementation of ITAS is at an advanced stage, with notification of award already sent. This will be implemented in two phases and will extend beyond Freetown to key provincial headquarter offices. The end product is that income tax and GST administration processes will be automated and integrated under a single platform making it easier for the taxpayers and the Tax Authority to file and track compliance and payment respectively. Revenues have increased significantly in countries where this system has been deployed.

(ii) **Implement Taxpayer Compliance Management programmes.** This involves promoting voluntary compliance; implementing SMEs taxpayer preparer scheme, gold card pilot and roll out; implementing an effective compliance risk management approach (taxpayer technical risk and compliance strategy, enterprise wide risk management strategy, taxpayer services strategy; - information sharing and client management, objections/appeals processes, forms & SOPs; enforcement strategy, stakeholder cooperation and collaboration, and implementing ASYCUDA World risk management module).

(iii) **Conduct Revenue Enhancement Research** to inform compliance improvement, expansion of the tax base, tax policy reforms and combating smuggling – both technical and physical.

(iv) **Strengthen Tax Investigation and Prosecutorial Process** and establish a Tax court under commercial court.

(v) **Strengthening Legal Framework**. This involves policy, processes and SOPs development; and legal review (legal provisions and regulations).

(vi) **Strengthening Field Audits of Large Taxpayers**. Sectors with distinctive accounts require specialized technical knowledge to ensure proper assessment of tax liabilities, as there is high risk of under-assessments of such liabilities. Capacity of NRA Field Auditors will therefore be enhanced on specialized audits. The NRA will secure more licenses for the Audit system earlier acquired by the NRA and employ more tax auditors especially for the LTO. Specialized audits will be conducted across specific sectors.

(vii) **Automating Domestic Tax Processes:** Presently, tax assessment is based upon discretionary self-assessment. There is a need to encourage voluntary compliance by simplifying processes, especially for small and medium sized taxpayers. NRA needs to identify and automate remaining key manual processes before integration of the systems.

(viii) **Combat Cross-border Smuggling:** This will involve construction of Revenue Post at Sanya, rehabilitation of existing border posts and deployment of NRA personnel at crucial unmanned border posts.

(ix) **Development and Enforcement of Transfer Pricing Provisions:** Some provisions on transfer pricing exist in various laws, but they are not coherent nor consolidated into a single regulation. Transfer pricing regulation will be developed, enacted by Parliament and enforced by NRA, requiring taxpayers submit information on related party transactions when filing tax returns.

(x) **Identify, Register and Provide the necessary assistance** for formalization of informal businesses.

(xi) **Deploy ASYCUDA World** at Lungi, Gbalamuya and Gendema borders.

(xii) **Integrate NRA Revenue Systems:** This involves creating an interface between ASYCUDA World, ITAS, NTRS and revenue reconciliation system. Tax administration is largely manual and existing systems are not integrated.

(xiii) **Integrate NRA business processes** to create a data warehouse and robust MIS. There is need for data management systems to support revenue forecasting and policy analysis.

ix. **Implement an Electronic Customs Single Window System**.

x. **Enhancement of the ICT infrastructure at the NRA and MOF** upon which the revenue systems will ride. NRA IT infrastructure and systems are currently weak and do not ensure disaster/data recovery.

xi. **Strengthen the Capacity of NRA to Strengthen Enforcement of Tax Legislation and Regulations** (develop an enforcement strategy and centralize debt management and recovery.

xii. **Improve and Maintain Staff skills, Competence and Motivation** (approve HR strategy, revise and approve TACOS, review staff medical insurance scheme; enhance appraisal system; develop and implement business continuity and succession planning; develop and implement the staff reward scheme, develop and implement quality standards scheme).

xiii. **Develop and Implement a Change Management Strategy** to promote a culture of change management across the organisation (new offices, structural updates, implementation plans and updates – new policies, SOPs & systems updates, legal and structural review, establish the change management committee to implement and manage the change strategy).

xiv. **Implementation of Revenue Stamps:** The Finance Act 2009 gives legal basis to the NRA to collect revenue stamps as non-tax revenue. Section 4 (a)(ii) and (iii) reads as follows: To take over:

xv. The printing of all licenses, certificates and permits to be issued by departments of Government and other public bodies;

xvi. The printing of all licenses, certificates and permits in respect of all non-tax revenues. These are enormous powers that have not been used by the NRA. It will go a long way to cushion the effect of not having the power to assess. Therefore, we will immediately plan towards the implementation of these provisions.

xvii. **Revision of MDAs fees/rates**: There are a number of MDAs that have very low rates. The NRA together with MoF will be liaising with these MDAs to review the current rates of fees, and charges. This also need for Parliamentary support.

xviii. **Use of Return Forms for Royalty Payments:** Once it has been established that particular businesses regularly pay royalty payments, it is only natural for them to do it in an organised way. This is not presently the case with respect to royalty payments for mining rights, marine rights and also telecoms. To make the system more effective, the following will be undertaken:

- Return forms designed for all royalty payments made by companies and businesses in the MDAs concerned;
- The return forms should clearly indicate the deadline for submission of these forms with the payments attached;
- The return forms will have explanatory notes as to how to fill the form; and
- The return forms will state penalties and other enforcement sanctions for non-submission and also false declarations.
- The NRA has already prepared a Telecommunications Royalty Return Form and it is now used by Telecoms Operators.

### 5.2.4 Expenditure Projections (% of GDP): 2019-2023

78. Total expenditures and net lending are projected to average 20.7 percent of GDP. Of the total, recurrent expenditure is projected to average 14.55 percent

of GDP over the period. As a ratio to GDP, wages and salaries will be maintained at the sustainable threshold of 6.0 percent of GDP during 2021 to 2023 from an average of 6.5 percent of GDP during 2019 and 2020. Non-salary, non-interest expenditure will decrease to an average of 5.9 percent of GDP from 6.9 percent of GDP in 2018. Total interest payments are projected to decline from 3.1 percent of GDP in 2018 to 2.6 percent in 2020 and decline to an average of 2.8 percent of GDP during 2021 and 2022 and further down to 2.3 percent of GDP in 2023. Domestic interest payments will decline from an average of 2.7 percent of GDP during 2019 and 2020 and further down to 2.5 percent in 2023.

79. Capital expenditure is projected to decrease from 7.1 percent of GDP in 2018 to 6.2 percent of GDP in 2023. Of the total, domestic capital spending will increase from 2.6 percent of GDP in 2018 to 4.6 percent of GDP in 2023.

80. The overall budget deficit, excluding grants, is projected to decline from 9.4 percent of GDP in 2018 to 5.2 percent of GDP in 2019. The deficit, excluding grants, will average 3.4 percent of GDP during 2020 and 2021 and decline to 2.2 percent of GDP during 2022 and 1.0 percent in 2023. Including grants, the overall deficit, will decline from 6.1 percent of GDP in 2018 to 2.8 percent in 2019. The deficit, including grants, will average 1.7 percent of GDP during 2021 and 2022 and decline to average 0.8 percent of GDP during 2022 and 2023.

**5.2.5 Deficit Financing, 2019-2023**

81. The budget deficit, will be financed through foreign and domestic borrowing. Foreign borrowing will decline from 2.2 percent of GDP in 2018 to an average of 0.87 percent of GDP during 2019 and 2020. Foreign borrowing will decline further to 0.70 percent of GDP in 2023. Domestic borrowing will decline from 4.6 percent of GDP in 2018 to an average of 2.4 percent of GDP during 2019 and 2020 to 1.6 percent of GDP in 2021 and further down to 0.8 percent of GDP in 2023.

Table 5.4: Expenditure Projections (% of GDP)

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|
| **Total Expenditure & Net Lending** | 23.4 | 23.8 | 21.3 | 20.0 | 20.6 | 20.8 | 21.0 |
| | | | | | | | |
| Recurrent Expenditure | 15.0 | 16.7 | 15.5 | 14.0 | 14.5 | 14.4 | 14.3 |
| Wages & Salaries | 6.9 | 6.7 | 6.8 | 6.0 | 6.0 | 6.0 | 6.0 |
| Non-Salary, Non-Interest Recurrent Expenditure | 5.9 | 6.9 | 5.8 | 5.4 | 6.0 | 6.2 | 6.0 |
| Goods and Services | 3.9 | 4.2 | 3.7 | 3.4 | 3.7 | 3.6 | 3.8 |
| Social and Economic | 1.2 | 1.8 | 1.8 | 1.5 | 1.9 | 2.0 | 2.2 |
| o/w Free Education (Senior Secondary) | - | 0.4 | 0.4 | 0.4 | 0.6 | 0.7 | 0.8 |
| General and Others | 1.6 | 1.6 | 1.3 | 1.1 | 1.1 | 1.0 | 1.0 |
| Defence Expenditure | 0.6 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| Police | 0.4 | 0.3 | 0.2 | 0.3 | 0.3 | 0.2 | 0.2 |
| Prisons | 0.2 | 0.2 | 0.1 | 0.2 | 0.2 | 0.1 | 0.1 |
| Transfers to Local Councils | 0.2 | 0.6 | 0.5 | 0.4 | 0.6 | 0.7 | 0.7 |
| Grants for Admin. Expenses | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Grants for Devolved Functions | 0.2 | 0.6 | 0.5 | 0.4 | 0.6 | 0.7 | 0.7 |
| o/w Free Education (Primary and JSS) | - | 0.2 | 0.2 | 0.2 | 0.3 | 0.4 | 0.4 |
| Transfer to TSA Agencies | - | 0.3 | 0.3 | 0.2 | 0.3 | 0.2 | 0.2 |
| Grants to Educational Institutions | 0.7 | 0.7 | 0.7 | 0.5 | 0.6 | 0.4 | 0.5 |
| Transfer to Road Fund | 0.5 | 0.4 | 1.1 | 0.3 | 0.3 | 0.3 | 0.3 |
| Socially Oriented Outlays /energy subsidy | - | 0.5 | 0.5 | 0.4 | 0.4 | 0.4 | 0.3 |
| Elections and Democratisation | 0.6 | 0.2 | 0.2 | 0.2 | 0.2 | 0.5 | 0.2 |
| Total Interest Payments | 2.2 | 3.1 | 2.9 | 2.6 | 2.4 | 2.3 | 2.3 |
| Domestic Interest | 2.0 | 2.7 | 2.7 | 2.3 | 2.2 | 2.1 | 2.1 |
| Foreign Interest | 0.2 | 0.3 | 0.3 | 0.2 | 0.2 | 0.2 | 0.2 |
| | - | - | - | - | - | - | - |
| Development Expenditure & Net Lending | 8.3 | 7.1 | 5.8 | 5.9 | 6.1 | 6.4 | 6.8 |
| | - | - | - | - | - | - | - |
| Development Expenditure | 8.4 | 7.1 | 5.8 | 5.9 | 6.1 | 6.4 | 6.8 |
| Foreign Loans and Grants | 4.5 | 4.5 | 3.2 | 3.0 | 2.6 | 2.3 | 2.1 |
| Loans | 2.7 | 3.3 | 2.0 | 1.9 | 1.6 | 1.5 | 1.4 |
| Grants | 1.9 | 1.2 | 1.3 | 1.1 | 0.9 | 0.8 | 0.7 |
| Domestic | 3.9 | 2.6 | 2.6 | 3.0 | 3.5 | 4.1 | 4.6 |
| of which Education projects | - | 0.0 | 0.0 | - | - | - | - |
| Net Lending | (0.1) | - | - | - | - | - | - |
| Overall Balance | - | - | - | - | - | - | - |
| Balance on Commitment Basis Including Grants | (8.7) | (6.1) | (2.8) | (1.8) | (1.6) | (1.2) | (0.3) |
| Balance on Commitment Basis Excluding Grants | (11.2) | (9.4) | (5.2) | (4.1) | (3.1) | (2.2) | (1.0) |
| Domestic Primary Balance | - | (4.9) | (2.0) | 1.5 | 1.9 | 2.3 | 3.4 |
| Contingency Expenditure | (0.0) | (0.4) | (0.3) | (0.2) | (0.2) | (0.2) | (0.2) |
| | | | | | | | |
| Change in Arrears | (0.2) | (0.0) | (0.0) | (0.1) | (0.1) | (0.1) | (0.1) |
| | | | | | | | |
| Balance on Cash Basis Including Grants | (8.9) | (6.6) | (5.8) | (2.2) | (1.9) | (1.4) | (4.1) |

| Financing | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|
| Total Financing | 9.6 | 6.6 | 3.1 | 2.2 | 1.9 | 1.4 | 4.1 |
| | | | | | | | |
| Foreign | 2.80 | 2.21 | 0.64 | 1.10 | 0.90 | 0.70 | 0.70 |
| Borrowing | 3.76 | 3.29 | 1.97 | 1.90 | 1.60 | 1.50 | 1.40 |
| Project | 2.65 | 3.29 | 1.97 | 1.90 | 1.60 | 1.50 | 1.40 |
| Programme | 1.11 | 0.55 | 0.46 | - | - | - | - |
| External Debt Amortisation | (0.96) | (1.09) | (1.33) | (0.80) | (0.80) | (0.70) | (0.70) |
| | | | | | | | |
| Domestic | 4.63 | 4.55 | 2.73 | 2.00 | 1.60 | 0.70 | 0.80 |
| Bank | 4.44 | 4.39 | 2.65 | 1.90 | 1.60 | 0.70 | 0.80 |
| Central Bank | 2.13 | 2.26 | 1.90 | 1.00 | 0.60 | 0.50 | 0.40 |
| Ways and Means | 0.03 | 0.39 | 0.36 | 0.10 | 0.10 | 0.10 | 0.10 |
| Securities | 1.71 | 0.15 | 0.16 | 0.90 | 0.50 | 0.40 | 0.30 |
| Commercial Banks | 2.30 | 2.13 | 0.75 | 0.90 | 1.00 | 0.20 | 0.40 |
| Non-Bank | 0.19 | 0.16 | 0.08 | 0.10 | - | - | - |
| Other (float) | 2.23 | (0.19) | (0.26) | (0.90) | (0.60) | - | 1.10 |
| Privatisation & Exceptional Receipts | (0.65) | - | (0.00) | 0.00 | 0.00 | 0.00 | 1.00 |
| Unaccounted | - | - | - | - | - | - | - |
| Financing Gap | 0.77 | - | - | (0.00) | (0.00) | (0.00) | (0.00) |
| | | | | | | | |

## 6. MEDIUM-TERM EXPENDITURE FRAMEWORK (MTEF)

### 6.1. Government Expenditure Priorities

82. Government expenditure priorities are defined in the *New Direction Manifesto* and the Presidential Address on the State Opening of Parliament in June 2018. Free Quality Education is the top priority of Government in the medium-term. This is followed by “transforming the economy focusing on the restoration of macroeconomic stability and diversifying the economy by improving the productivity of the growth driving sectors. Developing Infrastructure and improving Governance and Accountability are the other Government priorities. The expenditure allocations in the Medium-Term Expenditure Framework (MTEF) are consistent with the priorities of Government as defined in these documents.

## 6.2. Medium-Term Expenditure Framework (MTEF) Ceilings 2019-2023

| | Details | **FY2019 Budget** | % of Total Non Int/Sal Recurr Exp | FY2020 Indicative | % of Total Non Int/Sal Recurr Exp | FY2021 Indicative | % of Total Non Int/Sal Recurr Exp | FY2022 Indicative | % of Total Non Int/Sal Recurr Exp | FY2023 Indicative | % of Total Non Int/Sal Recurr Exp |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | **Le' m** | | Le' m | | Le' m | | Le' m | | Le' m | |
| **1** | **GENERAL SERVICES** | **419,459.7** | **19.2%** | **529,697.4** | **24.4%** | **582,667.1** | **26.9%** | **606,540.5** | **28.0%** | **661,237.1** | **30.5%** |
| 105 | Ministry of Political and Public Affairs | **2,121.2** | 0.1% | 2,333.3 | 0.1% | 2,566.6 | 0.1% | 2,823.3 | 0.1% | 3,105.6 | 0.1% |
| | of which: African Peer Review Mechanism (APRM) | **614.6** | 0.0% | 676.1 | 0.0% | 806.7 | 0.0% | 887.4 | 0.0% | 976.1 | 0.0% |
| 106 | Office of the Chief Minister | **5,463.1** | 0.5% | **6,009.4** | 0.5% | **6,610.3** | 0.6% | **7,271.4** | 0.7% | **7,998.5** | 0.7% |
| | Administrative and Operating Costs | **5,013.1** | 0.2% | 5,514.4 | 0.3% | 6,065.9 | 0.3% | 6,672.5 | 0.3% | 7,339.7 | 0.3% |
| | Communications Unit | **450.0** | 0.0% | 495.0 | 0.0% | 544.5 | 0.0% | 598.9 | 0.0% | 658.8 | 0.0% |
| 107 | Ministry of Local Government & Rural Development | **14,058.6** | 0.7% | 15,464.5 | 0.7% | 17,010.9 | 0.8% | 18,712.0 | 0.9% | 20,583.2 | 1.0% |
| | Administrative and Operating Costs | **5,196.6** | 0.2% | 5,716.3 | 0.3% | 6,287.9 | 0.3% | 6,916.7 | 0.3% | 7,608.4 | 0.4% |
| | o/w: Dealmagamation of Chiefdom Boundries (For 2018 this includes set-up of new Provincial a | **2,995.2** | 0.1% | 3,294.7 | 0.2% | 3,624.2 | 0.2% | 3,986.6 | 0.2% | 4,385.3 | 0.2% |
| | Southern Province, Bo | **2,424.5** | 0.1% | 2,667.0 | 0.1% | 2,933.7 | 0.1% | 3,227.1 | 0.2% | 3,549.8 | 0.2% |
| | o/w: District Offices (Moyamba, Pujehun, Bonthe) | **2,027.8** | 0.1% | 2,230.5 | 0.1% | 2,453.6 | 0.1% | 2,698.9 | 0.1% | 2,968.8 | 0.1% |
| | Eastern Province, Kenema | **2,093.7** | 0.1% | 2,303.1 | 0.1% | 2,533.4 | 0.1% | 2,786.7 | 0.1% | 3,065.4 | 0.1% |
| | o/w: District Offices (Kono, Kailahun) | **1,172.0** | 0.1% | 1,289.2 | 0.1% | 1,418.1 | 0.1% | 1,560.0 | 0.1% | 1,715.9 | 0.1% |
| | Northern Province, Makeni | **2,553.0** | 0.1% | 2,808.3 | 0.1% | 3,089.2 | 0.1% | 3,398.1 | 0.2% | 3,737.9 | 0.2% |
| | o/w: District Offices (Tonkolili, Koinadugu I, Koinadugu II) | **1,948.7** | 0.1% | 2,143.5 | 0.1% | 2,357.9 | 0.1% | 2,593.7 | 0.1% | 2,853.1 | 0.1% |
| | North West Province, Port Loko | **1,790.7** | 0.1% | 1,969.8 | 0.1% | 2,166.8 | 0.1% | 2,383.5 | 0.1% | 2,621.8 | 0.1% |
| | o/w: District Offices (Kambia, Karene) | **1,093.9** | 0.1% | 1,203.2 | 0.1% | 1,323.6 | 0.1% | 1,455.9 | 0.1% | 1,601.5 | 0.1% |
| 108 | Sierra Leone Small Arms Commission | **813.4** | 0.0% | 894.7 | 0.0% | 984.2 | 0.0% | 1,082.6 | 0.1% | 1,190.9 | 0.1% |
| 110 | Office of the President | **37,534.4** | 1.8% | 41,287.8 | 1.9% | 45,416.6 | 2.1% | 49,958.2 | 2.3% | 54,954.1 | 2.6% |
| | Office of the Secretary to the President | **18,251.5** | 0.9% | 20,076.6 | 0.9% | 22,084.3 | 1.0% | 24,292.7 | 1.1% | 26,722.0 | 1.3% |
| | National Assets and Government Property Commission | **1,087.8** | 0.1% | 1,196.6 | 0.1% | 1,316.3 | 0.1% | 1,447.9 | 0.1% | 1,592.7 | 0.1% |
| | Public Sector Reform Unit (PSRU) | **1,893.7** | 0.1% | 2,083.1 | 0.1% | 2,291.4 | 0.1% | 2,520.5 | 0.1% | 2,772.6 | 0.1% |
| | Anti-Corruption Commission (ACC) | **5,516.2** | 0.3% | 6,067.8 | 0.3% | 6,674.6 | 0.3% | 7,342.1 | 0.3% | 8,076.3 | 0.4% |
| | Office of the Ombudsman | **1,520.0** | 0.1% | 1,671.9 | 0.1% | 1,839.1 | 0.1% | 2,023.1 | 0.1% | 2,225.4 | 0.1% |
| | Independent Media Commission (IMC) | **578.7** | 0.0% | 636.6 | 0.0% | 700.2 | 0.0% | 770.3 | 0.0% | 847.3 | 0.0% |
| | Political Parties Registration Commission (PPRC) | **1,205.5** | 0.1% | 1,326.1 | 0.1% | 1,458.7 | 0.1% | 1,604.6 | 0.1% | 1,765.0 | 0.1% |
| | Law Reform Commission | **490.2** | 0.0% | 539.2 | 0.0% | 593.1 | 0.0% | 652.4 | 0.0% | 717.7 | 0.0% |
| | Corporate Affairs Commission | **434.5** | 0.0% | 478.0 | 0.0% | 525.8 | 0.0% | 578.4 | 0.0% | 636.2 | 0.0% |
| | Sierra Leone Insurance Commission | **526.1** | 0.0% | 578.7 | 0.0% | 636.6 | 0.0% | 700.2 | 0.0% | 770.3 | 0.0% |
| | Local Government Service Commission | **322.2** | 0.0% | 354.4 | 0.0% | 389.8 | 0.0% | 428.8 | 0.0% | 471.7 | 0.0% |
| | Presidential Infrastructure Initiative | **900.0** | 0.0% | 990.0 | 0.0% | 1,089.0 | 0.1% | 1,197.9 | 0.1% | 1,317.7 | 0.1% |
| | Directorate of Science, Technology and Innovation | **4,500.0** | 0.2% | 4,950.0 | 0.2% | 5,445.0 | 0.3% | 5,989.5 | 0.3% | 6,588.5 | 0.3% |
| 112 | Office of the Vice President | **15,638.0** | 0.7% | 17,201.9 | 0.8% | 18,922.0 | 0.9% | 20,814.2 | 1.0% | 22,895.7 | 1.1% |
| | Millennium Challenge Compact Secretariat | **549.7** | 0.0% | 604.6 | 0.0% | 665.1 | 0.0% | 731.6 | 0.0% | 804.7 | 0.0% |
| | Extractive Industry Transparency Initiative Secretariat | **656.6** | 0.0% | 722.2 | 0.0% | 794.5 | 0.0% | 873.9 | 0.0% | 961.3 | 0.0% |
| | Public Private Partnership Unit | **307.9** | 0.0% | 338.7 | 0.0% | 372.6 | 0.0% | 409.9 | 0.0% | 450.9 | 0.0% |
| 116 | Parliament | **13,785.7** | 0.6% | 15,164.2 | 0.7% | 16,680.7 | 0.8% | 18,348.7 | 0.9% | 20,183.6 | 0.9% |
| | Parliamentary Service Commission | **2,294.9** | 0.1% | 2,524.4 | 0.1% | 2,776.8 | 0.1% | 3,054.5 | 0.1% | 3,359.9 | 0.2% |
| 117 | Cabinet Secretariat | **2,301.9** | 0.1% | 2,532.1 | 0.1% | 2,785.3 | 0.1% | 3,063.8 | 0.1% | 3,370.2 | 0.2% |
| | o/w: Cabinet Oversight and Monitoring Unit | **625.9** | 0.0% | 688.5 | 0.0% | 757.4 | 0.0% | 833.1 | 0.0% | 916.4 | 0.0% |
| 118 | The Judiciary | **12,487.4** | 0.6% | 13,736.1 | 0.6% | 15,109.7 | 0.7% | 16,620.7 | 0.8% | 18,282.8 | 0.9% |
| 121 | Audit Service Sierra Leone | **6,567.6** | 0.3% | 7,224.3 | 0.3% | 7,946.8 | 0.4% | 8,741.4 | 0.4% | 9,615.6 | 0.5% |
| 122 | Human Resource Management Office | **2,777.3** | 0.1% | 3,055.0 | 0.1% | 3,360.5 | 0.2% | 3,696.6 | 0.2% | 4,066.2 | 0.2% |
| 123 | Public Service Commission | **2,295.1** | 0.1% | 2,524.6 | 0.1% | 2,777.1 | 0.1% | 3,054.8 | 0.1% | 3,360.3 | 0.2% |
| 124 | Law Officers' Department | **12,048.4** | 0.6% | 13,253.2 | 0.6% | 14,578.5 | 0.7% | 16,036.4 | 0.8% | 17,640.0 | 0.8% |
| | Office of the Solicitor General | **11,534.8** | 0.5% | 12,688.3 | 0.6% | 13,957.1 | 0.7% | 15,352.8 | 0.7% | 16,888.1 | 0.8% |
| | o/w: Justice Sector Coordinating Office | **605.7** | 0.0% | 666.3 | 0.0% | 732.9 | 0.0% | 806.2 | 0.0% | 886.9 | 0.0% |
| | Legal Aid Board | **6,969.7** | 0.3% | 7,666.7 | 0.4% | 8,433.4 | 0.4% | 9,276.7 | 0.4% | 10,204.4 | 0.5% |
| | Administrator and Registrar General | **513.6** | 0.0% | 564.9 | 0.0% | 621.4 | 0.0% | 683.6 | 0.0% | 751.9 | 0.0% |
| 125 | Local Courts | **690.1** | 0.0% | 759.1 | 0.0% | 835.0 | 0.0% | 918.5 | 0.0% | 1,010.4 | 0.0% |
| 126 | Independent Police Complaints Board | **958.5** | 0.0% | 1,054.3 | 0.0% | 1,159.8 | 0.1% | 1,275.7 | 0.1% | 1,403.3 | 0.1% |
| 127 | Ministry of Planning and Economic Development | **13,500.0** | 0.6% | 14,850.0 | 0.7% | 16,335.0 | 0.8% | 17,968.5 | 0.8% | 19,765.4 | 0.9% |
| | Office of the Development Secretary | **13,500.0** | 0.6% | 14,850.0 | 0.7% | 16,335.0 | 0.8% | 17,968.5 | 0.8% | 19,765.4 | 0.9% |
| | National Authorising Office | **857.1** | 0.0% | 942.9 | 0.0% | 1,037.1 | 0.0% | 1,140.9 | 0.1% | 1,254.9 | 0.1% |
| 128 | Ministry of Foreign Affairs & International Co-operation | **43,752.3** | 2.0% | 47,249.1 | 2.2% | 51,974.0 | 2.4% | 52,171.4 | 2.5% | 57,388.5 | 2.7% |
| 129 | Ministry of Finance | **58,019.7** | 2.7% | 63,821.6 | 3.0% | 70,203.8 | 3.3% | 70,224.2 | 3.3% | 77,246.6 | 3.6% |
| | o/w Subscriptions to International Organisations | **39,000.1** | 1.8% | 42,900.2 | 2.0% | 47,190.2 | 2.2% | 44,909.2 | 2.1% | 49,400.1 | 2.3% |
| | Financial Intelligence Unit | **1,714.2** | 0.1% | 1,885.7 | 0.1% | 2,074.2 | 0.1% | 2,281.6 | 0.1% | 2,509.8 | 0.1% |

| | Details | FY2018 Revised Budget | % of Total Non Int/Sal Recurr Exp | FY2019 Indicative | % of Total Non Int/Sal Recurr | FY2020 Indicative | % of Total Non Int/Sal Recurr | FY2021 Indicative | % of Total Non Int/Sal Recurr | FY2022 Indicative | % of Total Non Int/Sal Recurr | FY2023 Indicative | % of Total Non Int/Sal |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Q1 - Q4 Jan - Dec | | | | | | | | | | | |
| | | Le' m | | Le' m | | Le' m | | Le' m | | Le' m | | Le' m | |
| **1** | **GENERAL SERVICES** | **491,096.0** | **18.6%** | **452,221.2** | **17.2%** | **477,091.8** | **18.2%** | **500,488.5** | **19.1%** | **524,633.6** | **20.0%** | **556,220.5** | **21.2%** |
| 105 | Ministry of Political and Public Affairs | **2,356.9** | 0.1% | 1,770.6 | 0.1% | 1,900.1 | 0.1% | 2,020.4 | 0.1% | 2,089.5 | 0.1% | 2,199.1 | 0.1% |
| 106 | Office of the Chief Minister | **6,070.1** | 0.4% | 7,560.3 | 0.4% | 4,893.8 | 0.4% | 5,203.6 | 0.4% | 5,381.6 | 0.4% | 5,663.9 | 0.5% |
| 107 | Ministry of Local Government & Rural Development | **15,620.7** | 0.6% | 11,735.3 | 0.5% | 12,593.6 | 0.5% | 13,390.7 | 0.5% | 13,849.0 | 0.5% | 14,575.4 | 0.6% |
| 108 | Sierra Leone Small Arms Commission | **903.7** | 0.0% | 679.0 | 0.0% | 728.6 | 0.0% | 774.7 | 0.0% | 801.2 | 0.0% | 843.3 | 0.0% |
| 110 | Office of the President | **41,704.8** | 1.6% | 42,609.5 | 1.7% | 43,622.9 | 1.7% | 45,751.2 | 1.8% | 46,974.6 | 1.8% | 48,914.0 | 1.9% |
| 112 | Office of the Vice President | **17,375.6** | 0.7% | 18,053.7 | 0.7% | 19,008.4 | 0.7% | 19,895.1 | 0.8% | 20,404.8 | 0.8% | 21,212.8 | 0.8% |
| 116 | Parliament | **15,317.4** | 0.6% | 17,507.4 | 0.7% | 18,349.1 | 0.7% | 19,630.8 | 0.8% | 20,080.1 | 0.8% | 20,792.4 | 0.8% |
| | Parliamentary Service Commission | **2,549.9** | 0.1% | 1,915.6 | 0.1% | 2,055.7 | 0.1% | 2,185.9 | 0.1% | 2,260.7 | 0.1% | 2,379.2 | 0.1% |
| 117 | Cabinet Secretariat | **2,557.7** | 0.1% | 1,921.5 | 0.1% | 2,062.0 | 0.1% | 2,192.5 | 0.1% | 2,267.6 | 0.1% | 2,386.5 | 0.1% |
| | o/w: Cabinet Oversight and Monitoring Unit | **695.5** | 0.0% | 522.5 | 0.0% | 560.7 | 0.0% | 596.2 | 0.0% | 616.6 | 0.0% | 648.9 | 0.0% |
| 118 | The Judiciary | **13,874.9** | 0.5% | 10,423.7 | 0.4% | 11,186.1 | 0.4% | 11,894.1 | 0.5% | 12,301.2 | 0.5% | 12,946.4 | 0.5% |
| 121 | Audit Service Sierra Leone | **7,297.3** | 0.3% | 5,482.2 | 0.2% | 5,883.2 | 0.2% | 6,255.6 | 0.2% | 6,469.6 | 0.3% | 6,809.0 | 0.3% |
| 122 | Human Resource Management Office | **3,085.9** | 0.1% | 2,318.3 | 0.1% | 2,487.9 | 0.1% | 2,645.3 | 0.1% | 2,735.9 | 0.1% | 2,879.4 | 0.1% |
| 123 | Public Service Commission | **2,550.1** | 0.1% | 1,915.8 | 0.1% | 2,055.9 | 0.1% | 2,186.1 | 0.1% | 2,260.9 | 0.1% | 2,379.5 | 0.1% |
| 124 | Law Officers' Department | **13,387.1** | 0.5% | 10,057.3 | 0.4% | 10,792.8 | 0.4% | 11,476.0 | 0.4% | 11,868.7 | 0.5% | 12,491.2 | 0.5% |
| 125 | Local Courts | **766.8** | 0.0% | 576.0 | 0.0% | 618.2 | 0.0% | 657.3 | 0.0% | 679.8 | 0.0% | 715.5 | 0.0% |
| 126 | Independent Police Complaints Board | **1,065.0** | 0.0% | 800.1 | 0.0% | 858.6 | 0.0% | 912.9 | 0.0% | 944.2 | 0.0% | 993.7 | 0.0% |
| 127 | Ministry of Planning and Economic Development | **15,952.4** | 0.6% | 11,984.5 | 0.5% | 12,861.0 | 0.5% | 13,675.1 | 0.5% | 14,143.0 | 0.5% | 14,884.9 | 0.6% |
| 128 | Ministry of Foreign Affairs & International Co-operation | **48,613.7** | 1.9% | 36,521.8 | 1.4% | 39,192.9 | 1.5% | 41,673.8 | 1.6% | 43,099.9 | 1.6% | 45,360.5 | 1.7% |
| 129 | Ministry of Finance | **64,466.3** | 2.5% | 66,431.3 | 2.6% | 69,973.4 | 2.7% | 73,263.3 | 2.8% | 75,154.5 | 2.9% | 78,152.3 | 3.0% |
| 130 | National Revenue Authority (NRA) | **90,461.9** | 3.5% | 97,960.8 | 3.8% | 102,931.3 | 4.0% | 107,547.8 | 4.2% | 117,227.0 | 4.5% | 127,777.4 | 5.0% |
| 131 | Revenue Appellate Board | **725.7** | 0.0% | 545.2 | 0.0% | 585.0 | 0.0% | 622.1 | 0.0% | 643.3 | 0.0% | 677.1 | 0.0% |
| 132 | Accountant General's Department | **37,913.0** | 1.5% | 38,482.7 | 1.5% | 40,565.8 | 1.6% | 42,500.6 | 1.6% | 46,325.7 | 1.8% | 50,495.0 | 2.0% |
| 133 | Ministry of Information and Communication | **4,506.1** | 0.2% | 3,385.3 | 0.1% | 3,632.9 | 0.1% | 3,862.8 | 0.1% | 3,995.0 | 0.2% | 4,204.6 | 0.2% |
| 134 | National Electoral Commission (NEC) | **61,505.4** | 2.4% | 46,206.9 | 1.8% | 51,751.7 | 2.0% | 52,725.1 | 2.0% | 54,529.4 | 2.1% | 57,389.5 | 2.2% |
| 137 | National Commission for Democracy | **948.3** | 0.0% | 712.4 | 0.0% | 764.5 | 0.0% | 812.9 | 0.0% | 840.7 | 0.0% | 884.8 | 0.0% |
| 138 | Statistics - Sierra Leone | **8,367.1** | 0.3% | 6,285.9 | 0.2% | 6,745.6 | 0.3% | 7,172.6 | 0.3% | 7,418.1 | 0.3% | 7,807.2 | 0.3% |
| 139 | National Commission for Privatisation (NCP) | **2,257.9** | 0.1% | 1,696.3 | 0.1% | 1,820.4 | 0.1% | 1,935.6 | 0.1% | 2,001.8 | 0.1% | 2,106.8 | 0.1% |
| 140 | Mass Media Services | **1,765.6** | 0.1% | 1,326.4 | 0.1% | 1,423.4 | 0.1% | 1,513.5 | 0.1% | 1,565.3 | 0.1% | 1,647.4 | 0.1% |
| 141 | Government Printing Department | **3,389.7** | 0.1% | 2,546.6 | 0.1% | 2,732.8 | 0.1% | 2,905.8 | 0.1% | 3,005.3 | 0.1% | 3,162.9 | 0.1% |
| 142 | National Public Procurement Authority (NPPA) | **3,563.9** | 0.1% | 2,677.4 | 0.1% | 2,873.3 | 0.1% | 3,055.1 | 0.1% | 3,159.7 | 0.1% | 3,325.4 | 0.1% |
| 143 | Justice and Legal Service Commission | **182.9** | 0.0% | 137.4 | 0.0% | 147.4 | 0.0% | 156.7 | 0.0% | 162.1 | 0.0% | 170.6 | 0.0% |
| 144 | Human Rights Commission Sierra Leone | **1,403.7** | 0.1% | 1,054.5 | 0.0% | 1,131.6 | 0.0% | 1,203.3 | 0.0% | 1,244.5 | 0.0% | 1,309.7 | 0.1% |
| 145 | Rights to Access Information Commission | **1,138.6** | 0.0% | 855.4 | 0.0% | 917.9 | 0.0% | 976.0 | 0.0% | 1,009.4 | 0.0% | 1,062.4 | 0.0% |

| | | FY2018 Revised Budget | % of Total Non Int/Sal Recurr Exp | FY2019 Indicative | % of Total Non Int/Sal Recurr Exp | FY2020 Indicative | % of Total Non Int/Sal Recurr Exp | FY2021 Indicative | % of Total Non Int/Sal Recurr Exp | FY2022 Indicative | % of Total Non Int/Sal Recurr Exp | FY2023 Indicative | % of Total Non Int/Sal Recurr Exp |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Q1 - Q4 Jan - Dec | | | | | | | | | | | |
| | | Le' m | | Le' m | | Le' m | | Le' m | | Le' m | | Le' m | |
| **2** | **SECURITY SERVICES** | **309,044.2** | **12.0%** | **282,174.0** | **11.0%** | **287,154.5** | **11.1%** | **314,925.9** | **12.2%** | **319,618.0** | **12.5%** | **339,603.7** | **13.2%** |
| 201 | Ministry of Defence | **106,686.8** | 4.1% | 100,150.0 | 3.9% | 101,012.0 | 3.9% | 111,456.5 | 4.3% | 112,586.3 | 4.4% | 119,387.1 | 4.6% |
| 203 | National Civil Registration Authority | **2,714.3** | 0.1% | 2,039.1 | 0.1% | 2,188.3 | 0.1% | 2,326.8 | 0.1% | 2,406.4 | 0.1% | 2,532.6 | 0.1% |
| 205 | Ministry of Internal Affairs | **1,356.3** | 0.1% | 1,018.9 | 0.0% | 1,093.5 | 0.0% | 1,162.7 | 0.0% | 1,202.5 | 0.0% | 1,265.5 | 0.0% |
| | Administrative and Operating Costs | **1,356.3** | 0.1% | 1,018.9 | 0.0% | 1,093.5 | 0.0% | 1,162.7 | 0.0% | 1,202.5 | 0.0% | 1,265.5 | 0.0% |
| 206 | Sierra Leone Police | **97,469.6** | 3.8% | 93,225.5 | 3.6% | 95,581.0 | 3.7% | 103,555.1 | 4.0% | 104,414.5 | 4.1% | 110,947.0 | 4.3% |
| 207 | Sierra Leone Correctional Services | **58,188.6** | 2.3% | 53,715.0 | 2.1% | 53,912.2 | 2.1% | 59,881.8 | 2.3% | 60,271.1 | 2.3% | 65,695.5 | 2.5% |
| 208 | National Fire Authority | **19,734.4** | 0.8% | 14,825.7 | 0.6% | 14,910.0 | 0.6% | 16,917.1 | 0.7% | 18,439.7 | 0.7% | 18,413.8 | 0.7% |
| 209 | Central Intelligence & Security Unit | **6,975.1** | 0.3% | 5,240.1 | 0.2% | 5,623.4 | 0.2% | 5,979.4 | 0.2% | 6,184.0 | 0.2% | 6,508.3 | 0.3% |
| 210 | Office of National Security | **9,433.6** | 0.4% | 7,087.2 | 0.3% | 7,605.5 | 0.3% | 8,086.9 | 0.3% | 8,363.7 | 0.3% | 8,802.3 | 0.3% |
| 211 | Immigration Department | **5,827.6** | 0.2% | 4,378.1 | 0.2% | 4,698.3 | 0.2% | 4,995.7 | 0.2% | 5,166.6 | 0.2% | 5,437.6 | 0.2% |
| 212 | National Drugs Law Enforcement Agency | **657.9** | 0.0% | 494.3 | 0.0% | 530.4 | 0.0% | 564.0 | 0.0% | 583.3 | 0.0% | 613.9 | 0.0% |
| **3** | **SOCIAL SERVICES** | **601,731.2** | **12.4%** | **740,817.2** | **17.3%** | **907,971.0** | **21.4%** | **1,011,847.1** | **23.7%** | **1,136,257.9** | **26.0%** | **1,251,748.3** | **28.4%** |
| 300 | Ministry of Technical and Higher Education | **273,323.2** | 10.6% | 282,537.0 | 11.0% | 342,102.0 | 13.3% | 384,997.0 | 14.9% | 450,139.5 | 17.5% | 502,686.0 | 19.5% |
| 301 | Ministry of Primary and Secondary Education | **139,544.6** | 5.4% | 150,791.3 | 5.9% | 214,744.3 | 8.3% | 236,218.7 | 9.2% | 257,478.4 | 10.0% | 280,651.4 | 10.9% |
| 302 | Ministry of Sports | **8,225.5** | 0.3% | 6,179.5 | 0.2% | 6,631.5 | 0.3% | 7,051.3 | 0.3% | 7,292.6 | 0.3% | 7,675.1 | 0.3% |
| 303 | Ministry of Tourism and Cultural Affairs | **5,783.6** | 0.2% | 4,345.0 | 0.2% | 4,662.8 | 0.2% | 4,957.9 | 0.2% | 5,127.6 | 0.2% | 5,396.5 | 0.2% |
| 304 | Ministry of Health and Sanitation | **112,434.9** | 4.4% | 223,986.0 | 8.7% | 258,126.0 | 10.0% | 289,938.6 | 11.3% | 319,033.1 | 12.4% | 350,746.1 | 13.6% |
| 305 | Ministry of Social Welfare, Gender & Children's Affairs | **17,964.0** | 0.7% | 13,495.7 | 0.5% | 14,482.8 | 0.6% | 15,399.5 | 0.6% | 15,926.5 | 0.6% | 16,761.9 | 0.7% |
| 306 | Ministry of Lands, Housing and the Environment | **6,100.3** | 0.2% | 4,582.9 | 0.2% | 4,918.1 | 0.2% | 5,229.4 | 0.2% | 5,408.4 | 0.2% | 5,692.0 | 0.2% |
| 307 | National Medical Supplies Agency | **8,685.9** | 0.3% | 17,303.0 | 0.7% | 19,941.0 | 0.8% | 21,935.1 | 0.9% | 26,356.0 | 1.0% | 28,728.0 | 1.1% |
| | Administrative and Operating Costs | **8,685.9** | **0.3%** | 17,303.0 | **0.7%** | 19,941.0 | **0.8%** | 21,935.1 | **0.9%** | 26,356.0 | **1.0%** | 28,728.0 | **1.1%** |
| 308 | National Commission for Social Action | **1,791.4** | 0.1% | 1,345.9 | 0.1% | 1,444.3 | 0.1% | 1,535.7 | 0.1% | 1,588.3 | 0.1% | 1,671.6 | 0.1% |
| 309 | Dental and Medical Board | **434.6** | 0.0% | 866.0 | 0.0% | 998.0 | 0.0% | 1,097.8 | 0.0% | 1,196.6 | 0.0% | 1,304.3 | 0.1% |
| 310 | Ministry of Youth Affairs | **10,951.1** | 0.4% | 8,227.2 | 0.3% | 8,828.9 | 0.3% | 9,387.8 | 0.4% | 9,709.0 | 0.4% | 10,218.3 | 0.4% |
| 311 | Health Service Commission | **1,323.2** | 0.1% | 2,636.0 | 0.1% | 3,038.0 | 0.1% | 3,341.8 | 0.1% | 3,642.6 | 0.1% | 3,970.4 | 0.2% |
| 312 | Teaching Service Commission | **1,471.6** | 0.1% | 1,521.0 | 0.1% | 1,753.0 | 0.1% | 1,928.3 | 0.1% | 2,101.8 | 0.1% | 2,291.0 | 0.1% |
| 313 | National Youth Service | **2,655.0** | 0.1% | 1,994.6 | 0.1% | 2,140.5 | 0.1% | 2,276.0 | 0.1% | 2,353.9 | 0.1% | 2,477.3 | 0.1% |
| 314 | National HIV and AIDS Commission | **2,940.0** | 0.1% | 5,857.0 | 0.2% | 6,750.0 | 0.3% | 7,425.0 | 0.3% | 8,093.3 | 0.3% | 8,821.6 | 0.3% |
| 315 | Teaching Hospitals Complex Administration | **1,956.0** | 0.1% | 3,897.0 | 0.2% | 4,491.0 | 0.2% | 4,940.1 | 0.2% | 5,384.7 | 0.2% | 5,869.3 | 0.2% |
| 316 | Civil Service Training College | **800.0** | 0.0% | 601.0 | 0.0% | 645.0 | 0.0% | 685.8 | 0.0% | 709.3 | 0.0% | 746.5 | 0.0% |
| 345 | Pharmacy Board Services | **5,346.3** | 0.2% | 10,651.0 | 0.4% | 12,274.0 | 0.5% | 13,501.4 | 0.5% | 14,716.5 | 0.6% | 16,041.0 | 0.6% |
| **4** | **ECONOMIC SERVICES** | **601,315.9** | **22.8%** | **690,590.0** | **26.4%** | **765,415.8** | **29.3%** | **824,601.1** | **31.6%** | **890,565.0** | **34.1%** | **955,870.6** | **36.6%** |
| 401 | Ministry of Agriculture and Forestry | **53,517.1** | 2.1% | 181,617.0 | 7.0% | 209,299.0 | 8.1% | 230,228.9 | 8.9% | 270,949.5 | 10.5% | 295,334.9 | 11.5% |
| 402 | Ministry of Fisheries and Marine Resources | **10,024.4** | 0.4% | 34,019.0 | 1.3% | 39,204.0 | 1.5% | 43,124.4 | 1.7% | 47,005.5 | 1.8% | 51,236.0 | 2.0% |
| 403 | Ministry of Mines and Mineral Resources | **6,079.3** | 0.2% | 4,567.1 | 0.2% | 4,901.2 | 0.2% | 5,211.4 | 0.2% | 5,389.8 | 0.2% | 5,672.5 | 0.2% |
| 404 | Ministry of Transport and Aviation | **47,563.1** | 1.8% | 35,732.5 | 1.4% | 38,345.9 | 1.5% | 40,773.1 | 1.6% | 42,168.5 | 1.6% | 44,380.2 | 1.7% |
| 405 | Ministry of Tourism and Cultural Affairs | **12,407.8** | 0.5% | 9,321.5 | 0.4% | 10,003.3 | 0.4% | 10,636.5 | 0.4% | 11,000.5 | 0.4% | 11,577.5 | 0.4% |
| 406 | Ministry of Energy | **156,984.8** | 6.1% | 117,937.2 | 4.6% | 126,562.7 | 4.9% | 134,574.1 | 5.2% | 139,179.5 | 5.4% | 146,479.5 | 5.7% |
| 407 | Ministry of Labour and Social Security | **7,990.3** | 0.3% | 6,002.8 | 0.2% | 6,441.8 | 0.2% | 6,849.6 | 0.3% | 7,084.0 | 0.3% | 7,455.6 | 0.3% |
| 408 | Ministry of Works and Public Assests | **13,334.0** | 0.5% | 10,017.3 | 0.4% | 10,750.0 | 0.4% | 11,430.5 | 0.4% | 11,821.6 | 0.5% | 12,441.7 | 0.5% |
| | Works Project Implementation and Monitoring Unit | **547.2** | 0.0% | 411.1 | 0.0% | 441.1 | 0.0% | 469.0 | 0.0% | 485.1 | 0.0% | 510.5 | 0.0% |

| | | FY2018 Revised Budget | % of Total Non Int/Sal Recurr Exp | FY2019 Indicative | % of Total Non Int/Sal Recurr Exp | FY2020 Indicative | % of Total Non Int/Sal Recurr Exp | FY2021 Indicative | % of Total Non Int/Sal Recurr Exp | FY2022 Indicative | % of Total Non Int/Sal Recurr Exp | FY2023 Indicative | % of Total Non Int/Sal Recurr Exp |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Q1 - Q4 Jan - Dec | | | | | | | | | | | |
| | | Le' m | | Le' m | | Le' m | | Le' m | | Le' m | | Le' m | |
| 409 | Ministry of Trade and Industry | 13,691.1 | 0.5% | 10,285.7 | 0.4% | 11,037.9 | 0.4% | 11,736.6 | 0.5% | 12,138.3 | 0.5% | 12,774.9 | 0.5% |
| 410 | National Protected Area Authority | 1,249.3 | 0.0% | 4,240.0 | 0.2% | 4,886.0 | 0.2% | 5,374.6 | 0.2% | 5,858.3 | 0.2% | 4,385.6 | 0.2% |
| 411 | Road Maintenance Fund | 128,900.0 | 5.0% | 96,838.1 | 3.8% | 103,920.5 | 4.0% | 110,498.6 | 4.3% | 110,460.1 | 4.3% | 120,274.1 | 4.7% |
| 412 | National Telecommunications Commission (NATCOM | 69,879.2 | 2.7% | 52,497.8 | 2.0% | 56,337.3 | 2.2% | 59,903.4 | 2.3% | 61,953.4 | 2.4% | 65,202.9 | 2.5% |
| 413 | Sierra Leone Electricity and Water Regulatory Commis | 1,367.1 | 0.1% | 1,027.1 | 0.0% | 1,102.2 | 0.0% | 1,172.0 | 0.0% | 1,212.1 | 0.0% | 1,275.7 | 0.0% |
| 414 | Ministry of Water Resources | 14,727.8 | 0.6% | 11,064.5 | 0.4% | 11,873.7 | 0.5% | 12,625.3 | 0.5% | 13,057.4 | 0.5% | 13,742.2 | 0.5% |
| 415 | Sierra Leone Maritime Administration (SLMA) | 19,596.4 | 0.8% | 14,722.1 | 0.6% | 15,798.8 | 0.6% | 16,798.9 | 0.7% | 17,373.8 | 0.7% | 18,285.0 | 0.7% |
| 416 | Civil Aviation Authority | 2,034.2 | 0.1% | 1,528.3 | 0.1% | 1,640.0 | 0.1% | 1,743.8 | 0.1% | 1,803.5 | 0.1% | 1,898.1 | 0.1% |
| 417 | Nuclear Safety and Radiation Protection Authority | 2,104.8 | 0.1% | 1,581.2 | 0.1% | 1,696.9 | 0.1% | 1,804.3 | 0.1% | 1,866.0 | 0.1% | 1,963.9 | 0.1% |
| 418 | Sierra Leone Agricultural Research Institute (SLARI) | 5,725.1 | 0.2% | 19,429.0 | 0.8% | 22,390.0 | 0.9% | 22,390.0 | 0.9% | 24,405.1 | 0.9% | 26,601.6 | 1.0% |
| 419 | Local Content Agency | 798.7 | 0.0% | 600.1 | 0.0% | 643.9 | 0.0% | 684.7 | 0.0% | 708.1 | 0.0% | 745.3 | 0.0% |
| 420 | Sierra Leone Environment Protection Agency (SLEPA | 17,621.1 | 0.7% | 59,800.0 | 2.3% | 68,914.0 | 2.7% | 75,805.4 | 2.9% | 82,627.9 | 3.2% | 90,064.4 | 3.5% |
| 421 | Small and Medium Enterprises Development Agency ( | 2,252.5 | 0.1% | 7,644.0 | 0.3% | 8,809.0 | 0.3% | 9,689.9 | 0.4% | 10,562.0 | 0.4% | 11,512.6 | 0.4% |
| 422 | Sierra Leone Meteorological Agency | 1,313.8 | 0.1% | 987.0 | 0.0% | 1,059.2 | 0.0% | 1,126.2 | 0.0% | 1,164.7 | 0.0% | 1,225.8 | 0.0% |
| 423 | Sierra Leone Petroleum Regulation Agency | 4,285.7 | 0.2% | 3,219.7 | 0.1% | 3,455.2 | 0.1% | 3,673.9 | 0.1% | 3,799.6 | 0.1% | 3,998.9 | 0.2% |
| 424 | Sierra Leone Petroleum Directorate | 7,868.2 | 0.3% | 5,911.1 | 0.2% | 6,343.4 | 0.2% | 6,745.0 | 0.3% | 6,975.8 | 0.3% | 7,341.7 | 0.3% |
| 5 | **MISCELLANEOUS SERVICES** | **15,901.1** | **0.6%** | **0.0** | **0.0%** | **0.0** | **0.0%** | **0.0** | **0.0%** | **0.0** | **0.0%** | **0.0** | **0.0%** |
| | Miscellaneous Services | 15,901.1 | 0.6% | 0.0 | 0.0% | 0.0 | 0.0% | 0.0 | 0.0% | 0.0 | 0.0% | 0.0 | 0.0% |
| | 501001 Miscellaneous Services - Secretary to the Pr | 15,834.6 | 0.6% | 0.0 | 0.0% | 0.0 | 0.0% | 0.0 | 0.0% | 0.0 | 0.0% | 0.0 | 0.0% |
| 6 | **CONTINGENCY EXPENDITURE** | **117,742.2** | **4.6%** | **74,651.0** | **2.9%** | **60,620.0** | **2.4%** | **74,050.8** | **2.9%** | **76,542.0** | **3.0%** | **90,155.0** | **3.5%** |
| 7 | **TRANSFERS TO LOCAL COUNCILS** | **188,635.0** | **7.3%** | **336,373.6** | **13.1%** | **366,373.9** | **14.2%** | **412,750.5** | **16.0%** | **458,090.5** | **17.8%** | **509,877.9** | **19.8%** |
| | Grants for General Administrative Expenses | 5,935.9 | 0.2% | 4,459.4 | 0.2% | 4,785.6 | 0.2% | 5,264.1 | 0.2% | 5,737.9 | 0.2% | 6,254.3 | 0.2% |
| | Grants for Devolved Functions | 182,699.1 | 7.1% | 331,914.2 | 12.9% | 361,588.3 | 14.0% | 407,486.4 | 15.8% | 452,352.6 | 17.6% | 503,623.5 | 19.5% |
| | Sensitisation on Fire Prevention Services | 939.9 | 0.0% | 706.1 | 0.0% | 757.7 | 0.0% | 805.7 | 0.0% | 833.3 | 0.0% | 877.0 | 0.0% |
| | Youths and Sports Services | 2,083.3 | 0.1% | 1,565.1 | 0.1% | 1,752.9 | 0.1% | 1,785.9 | 0.1% | 1,847.0 | 0.1% | 1,943.9 | 0.1% |
| | Solid Waste Management Services | 43,530.4 | 1.7% | 30,240.1 | 1.2% | 32,451.8 | 1.3% | 34,506.0 | 1.3% | 35,686.8 | 1.4% | 37,558.6 | 1.5% |
| | Health Care Services | 30,396.9 | 1.2% | 147,273.0 | 5.7% | 164,332.9 | 6.4% | 180,450.2 | 7.0% | 201,690.7 | 7.8% | 229,892.9 | 8.9% |
| | Social Welfare, Gender and Children's Affairs | 4,137.2 | 0.2% | 3,108.1 | 0.1% | 3,481.1 | 0.1% | 3,546.6 | 0.1% | 3,667.9 | 0.1% | 3,860.3 | 0.1% |
| | Agriculture and Food Security Services | 14,896.9 | 0.6% | 50,554.9 | 2.0% | 58,259.9 | 2.3% | 65,640.5 | 2.5% | 77,003.6 | 3.0% | 86,010.7 | 3.3% |
| | Fisheries and Marine Resources | 582.0 | 0.0% | 1,975.1 | 0.1% | 2,276.1 | 0.1% | 2,564.5 | 0.1% | 3,008.4 | 0.1% | 3,360.3 | 0.1% |
| | Water services | 3,113.6 | 0.1% | 2,339.2 | 0.1% | 2,619.9 | 0.1% | 2,881.9 | 0.1% | 2,760.5 | 0.1% | 2,905.3 | 0.1% |
| | **Total Non Salary, Non Interest Recurrent** | **2,325,465.4** | **90.2%** | **2,576,827.0** | **100.0%** | **2,864,627.0** | **100.0%** | **3,138,664.0** | **100.0%** | **3,405,707.0** | **100.0%** | **3,703,476.0** | **100.0%** |
| | **Goods & Services** | **1,311,150.6** | **50.9%** | **1,524,775.2** | **59.2%** | **1,717,212.7** | **59.9%** | **1,867,407.3** | **59.5%** | **2,041,190.5** | **59.9%** | **2,210,968.2** | **59.7%** |
| | Social and Economic | 556,614.9 | 21.6% | 836,586.8 | 32.5% | 1,004,718.1 | 35.1% | 1,104,717.9 | 35.2% | 1,251,468.3 | 36.7% | 1,372,533.5 | 37.1% |
| | *o/w Free Education Programme* | 124,635.1 | 4.8% | 137,262.0 | 5.3% | 195,591.4 | 6.8% | 214,505.2 | 6.8% | 234,099.5 | 6.9% | 255,223.1 | 6.9% |
| | General and Others | 492,190.8 | 19.1% | 441,097.8 | 17.1% | 461,989.5 | 16.1% | 487,796.0 | 15.5% | 512,450.3 | 15.0% | 542,405.1 | 14.6% |
| | *o/w National Revenue Authority* | 90,461.9 | 3.5% | 97,960.8 | 3.8% | 102,931.3 | 3.6% | 107,547.8 | 3.4% | 117,227.0 | 3.4% | 127,777.4 | 3.5% |
| | *Statistics - Sierra Leone* | 8,367.1 | 0.3% | 6,285.9 | 0.2% | 6,745.6 | 0.2% | 7,172.6 | 0.2% | 7,418.1 | 0.2% | 7,807.2 | 0.2% |
| | Defence Expenditure | 106,686.8 | 4.1% | 100,150.0 | 3.9% | 101,012.0 | 3.5% | 111,456.5 | 3.6% | 112,586.3 | 3.3% | 119,387.1 | 3.2% |
| | Police | 97,469.6 | 3.8% | 93,225.5 | 3.6% | 95,581.0 | 3.3% | 103,555.1 | 3.3% | 104,414.5 | 3.1% | 110,947.0 | 3.0% |
| | Correctional Services | 58,188.6 | 2.3% | 53,715.0 | 2.1% | 53,912.2 | 1.9% | 59,881.8 | 1.9% | 60,271.1 | 1.8% | 65,695.5 | 1.8% |
| | **Subsidies and Transfers** | 896,572.6 | 34.8% | 977,400.8 | 37.9% | 1,086,794.2 | 37.9% | 1,197,206.0 | 38.1% | 1,287,974.4 | 37.8% | 1,402,352.8 | 37.9% |
| | **Transfers to Local Councils** | 188,635.0 | 7.3% | 336,373.6 | 13.1% | 366,373.9 | 12.8% | 412,750.5 | 13.2% | 458,090.5 | 13.5% | 509,877.9 | 13.8% |
| | Grants for Admin. Expenses | 5,935.9 | 0.2% | 4,459.4 | 0.2% | 4,785.6 | 0.2% | 5,264.1 | 0.2% | 5,737.9 | 0.2% | 6,254.3 | 0.2% |
| | Grants for Devolved Functions | 182,699.1 | 7.1% | 331,914.2 | 12.9% | 361,588.3 | 12.6% | 407,486.4 | 13.0% | 452,352.6 | 13.3% | 503,623.5 | 13.6% |
| | *o/w Free Education Programme* | 71,199.6 | 2.8% | 81,624.0 | 3.2% | 81,624.0 | 2.8% | 99,870.0 | 3.2% | 109,030.0 | 3.2% | 118,876.0 | 3.2% |
| | ***Grants to Tertiary Educational Institutions*** | 243,756.9 | 9.5% | 245,742.7 | 9.5% | 289,320.2 | 10.1% | 325,840.0 | 10.4% | 355,165.6 | 10.4% | 385,734.4 | 10.4% |
| | ***Transfer to Road Maintenance Fund*** | 128,900.0 | 5.0% | 96,838.1 | 3.8% | 103,920.5 | 3.6% | 110,498.6 | 3.5% | 110,460.1 | 3.2% | 120,274.1 | 3.2% |
| | ***Transfers to Other Agencies*** | 119,250.6 | 4.6% | 136,150.7 | 5.3% | 150,848.7 | 5.3% | 162,926.5 | 5.2% | 172,730.4 | 5.1% | 184,892.9 | 5.0% |
| | ***Energy Subsidies(Incl. Fuel)*** | 154,524.6 | 6.0% | 116,088.9 | 4.5% | 124,579.3 | 4.3% | 132,465.2 | 4.2% | 136,998.3 | 4.0% | 144,184.0 | 3.9% |
| | *o/w Karpower Energy* | 68,403.0 | 2.7% | 51,388.8 | 2.0% | 55,147.2 | 1.9% | 58,638.0 | 1.9% | 60,644.7 | 1.8% | 63,825.5 | 1.7% |
| | *Other Independent Power Supply* | 44,079.6 | 1.7% | 33,115.5 | 1.3% | 35,537.4 | 1.2% | 37,787.0 | 1.2% | 39,080.1 | 1.1% | 41,129.9 | 1.1% |
| | *Fuel For EGTC* | 42,042.0 | 1.6% | 31,584.7 | 1.2% | 33,894.7 | 1.2% | 36,040.2 | 1.1% | 37,273.6 | 1.1% | 39,228.6 | 1.1% |
| | **Elections and Democratisation - National Ele** | 61,505.4 | 2.4% | 46,206.9 | 1.8% | 51,751.7 | 1.8% | 52,725.1 | 1.7% | 54,529.4 | 1.6% | 57,389.5 | 1.5% |
| | **Contingency Expenditure** | 117,742.2 | 4.6% | 74,651.0 | 2.9% | 60,620.0 | 2.1% | 74,050.8 | 2.4% | 76,542.0 | 2.2% | 90,155.0 | 2.4% |

### 6.3. Public Investment Plan 2019-2023

83. Domestic Capital Budget allocation is based on the priority areas as dictated in the New Direction Manifesto supplemented by His Excellency the President's State Opening of Parliament. Allocations have been classified into eight thematic areas from which projects and programmes can be defined and crystallized for funding from the capital budget. Allocations will be driven by the following: (i) projects and programmes alignment to the New Direction Manifesto; (ii) ongoing projects which have gone through the prescribed technical/fiduciary audits or accreditation; and (iii) projects or programmes that are critical to the statutory function of the MDA with official approval.

84. For the period 2019 - 2023, domestic capital budget has been allocated into eight (8) clusters as per the National Development Plan (Fourth Generation Povery Reduction Strategy Paper) (i) Education for Development; (ii) Other Human Development; (iii) Transforming the Economy; (iv) Governance and Accountability; (v) Infrastructure and Competitiveness; (vi) Addressing Women and Children Issues; (vii) Building Resilience; and (viii) Means of Implementation. Projected allocations are made into sectors within the cluster as shown in the table below:

| Fiscal Strategy Statement - Public Investment Plan 2019 - 2023 | | | | | |
|---|---|---|---|---|---|
| Cliuster/Sector Forecast for the Fiscal Strategy Statement (FSS) | | | | | |
| Cluster/Sector | Projections | | | | |
| | 2019 Le' Bn | 2020 Le' Bn | 2021 Le' Bn | 2022 Le' Bn | 2023 Le' Bn |
| **GRAND TOTAL** | **1,086.0** | **1,342.0** | **1,749.0** | **2,512.0** | **2,775.9** |
| **Cluster One: Education for Development Flagship Programme** | **118.3** | **196.3** | **228.0** | **350.9** | **416.4** |
| Delivering Free and Quality Basic Education | 41.4 | 77.6 | 100.1 | 122.8 | 145.7 |
| Strengthening Technical and Higher Education | 76.9 | 118.7 | 127.9 | 228.1 | 270.7 |
| **Cluster Two: Other Human Development** | **98.8** | **118.2** | **152.5** | **187.2** | **227.1** |
| Health Care Improvement | 50.5 | 41.4 | 53.4 | 65.5 | 77.7 |
| Employment and Youth Empowerment | 13.8 | 27.8 | 38.8 | 49.9 | 61.1 |
| Population, Lands and Housing | 13.7 | 15.9 | 17.6 | 19.4 | 26.1 |
| Social Protection | 20.8 | 33.1 | 42.7 | 52.4 | 62.2 |
| **Cluster Three: Transforming the Economy** | **59.0** | **66.6** | **78.6** | **103.9** | **127.2** |
| Revatilizing the Agricultural Sector | 15.2 | 16.5 | 19.0 | 27.9 | 37.6 |
| Revalizating the Fisheries Sector | 12.9 | 17.2 | 20.6 | 28.0 | 30.5 |
| Revitalizing the Tourism Sector | 15.2 | 16.5 | 17.8 | 18.2 | 21.6 |
| Revitalizing the Mineral Sector | 5.2 | 5.7 | 6.2 | 8.6 | 14.1 |
| Increasing Revenue Mobilization | 10.5 | 10.7 | 15.0 | 21.2 | 23.4 |
| **Cluster Four: Governance and Accopuntability for Results** | **62.2** | **80.5** | **97.4** | **108.4** | **119.5** |
| Advancing the Fight Against Corruption and Illicit Financial Flows | 21.1 | 24.4 | 32.6 | 38.1 | 42.1 |
| Improving Public Trust in State Institutions | 9.7 | 15.7 | 17.5 | 18.0 | 18.5 |
| Improving Public Financial Management and Service Deivery | 9.9 | 15.4 | 19.8 | 24.3 | 28.9 |
| Strengthening Security and Governance Institutions | 21.5 | 25.0 | 27.5 | 28.0 | 30.0 |
| **Cluster Five: Infrastructure Development and Economic Competitiveness** | **687.5** | **811.0** | **1,117.9** | **1,683.1** | **1,800.6** |
| Improving the Supply of Energy | 97.5 | 105.1 | 156.0 | 260.3 | 229.0 |
| Inproving Water Supply Infrastructure | 74.8 | 99.1 | 139.3 | 250.3 | 212.1 |
| Advancing National Transport System | 495.6 | 584.7 | 795.4 | 1,109.6 | 1,320.0 |
| Improving Information, Communication and Technology | 17.2 | 18.8 | 22.9 | 57.6 | 33.3 |
| Foster Private Sector Growth and Investment | 2.4 | 3.3 | 4.3 | 5.3 | 6.2 |
| **Cluster Six: Addressing Women and Children Affairs** | **27.7** | **30.8** | **32.5** | **34.0** | **36.5** |
| Social Welfare, Gender and Children Affairs | 27.7 | 30.8 | 32.5 | 34.0 | 36.5 |
| **Cluster Seven: Addressing Vulnerabilities and Building Resilience** | **16.0** | **20.7** | **24.0** | **26.5** | **30.5** |
| Managing Environment and Climate Change | 8.5 | 10.2 | 11.5 | 13.0 | 15.0 |
| Improving Diasater Management Governance | 7.5 | 10.5 | 12.5 | 13.5 | 15.5 |
| **Cluster Eight: Means of Implementation** | **16.4** | **18.0** | **18.0** | **18.0** | **18.0** |
| Developing Intergrated Resource Mobilization Framework | 8.6 | 9.0 | 9.0 | 9.0 | 9.0 |
| Ensuring Effective Plan Delivery Mechanism | 7.8 | 9.0 | 9.0 | 9.0 | 9.0 |
| **GRAND TOTAL** | **1,086.0** | **1,342.0** | **1,749.0** | **2,512.0** | **2,775.9** |

## 6.4. Expenditure Management and Control Measures

### 6.3.1 Measures to Control the Government Wage Bill

85. A Payroll Strategy was developed and adopted by Cabinet in October 2017. This Strategy focused on MOF’s efforts in pursuing payroll reforms aimed at improving the purity and probity of the payroll so as to make the Government’s wage bill manageable, accountable and transparent.

86. To this end, significant progress has been made in addressing issues relating to improving payroll data integrity through NASSIT and BBAN Number clean up exercises in the IFMIS HR/Payroll System. Internal Audit oversight and wage bill monitoring have also been intensified, which has helped to address other challenges such as Dual Employment. Other recent payroll reforms include:

a) EU funded Biometric Data Collection for Civil Servants held at the Human Resources Management Office (HRMO);

b) Automation of Sub-vented Agencies’ (SVAs) payroll into the IFMIS HR/Payroll System, and
c) Addressing Dual Employment;

87. In order to ensure the gains made thus far are maintained and to further improve on the transparency, purity, probity and sustainability of the Government’s payroll, a number of control measures will be put in place that are in line with the Payroll Strategy. The Payroll Oversight Committee (MOF) will take the lead in ensuring these measures are implemented and maintained. These measures are discussed in turn:

**(i) No New Employee Records created without valid NASSIT and BBAN Numbers**

Going forward, it has been agreed that for all new employees being added on the payroll database a record should not be created without valid NASSIT and BBAN Numbers (in the correct format and length). In addition, for NASSIT Numbers, the embedded date of birth (DOB) in the NASSIT Number must match the DOB on the HR/payroll records. To support this policy, the IFMIS HR/Payroll System will be configured not to create a record for employees without a valid NASSIT Number. Steps will be taken to ensure the systems controls also support the policy on BBAN Numbers. In the meantime, manual checks will be done to ensure all new employees being added on to the system have valid NASSIT and BBAN Numbers. These control measures are aimed at minimizing the data integrity issues related to NASSIT and BBAN Numbers, respectively. In addition, since the NASSIT and BBAN Numbers both serve as unique identifiers for all employees, having proper records on NASSIT and BBAN Numbers will assist with curtailing ghost workers and incidences of dual employment on the public sector payroll.

**(ii) National Civil Registration Numbers utilized as Unique Identifier for Public Sector Employees**

In the long-term, the objective is to use the National Civil Registration Number (including biometric data) as the unique identifier for all public sector employees. MOF through the Payroll Oversight Committee is currently in discussions with the National Civil Registration Authority (NCRA) to map out how this policy will be implemented.

Once this policy is in place, the NCRA Number becomes the primary unique identifier that will be used by all relevant bodies including NASSIT when processing payments or anything else relating to public sector employees. This measure will help eliminate dual employment and ghost workers on the Government payroll.

In the interim, MOF is also exploring the possibility of matching biometric data recently collected for Civil Servants that are held at HRMO with NASSIT biometric records.

**(iii) Discontinue NASSIT Contributions for Public Sector Employees above 60 years and 55 year for Police and Army**

To save costs and to improve on the predictability of pension costs, MOF through the Accountant General's Department plans to conduct routine checks that will ensure that NASSIT contributions are not being made for employees that are legitimately on the payroll but are over 60 years, which is the retirement age. Similar check will be done and NASSIT contributions also stopped for Army and Police officers who have been granted an extension to the service beyond their retirement age of 55 years. For the Army and Police, GOSL makes an extra 2 percent contribution to NASSIT since they are expected to retire at an earlier age of 55 years. A Payroll Issues paper recently developed indicates that GOSL stands to make a savings of Le 205 million monthly on NASSIT contribution for the Army and Police alone if it puts steps in place to ensure NASSIT contributions are not made for these personnel if they carry on working beyond 55 years.

**(iv) Rationalizing the current PIN Code system**

The Payroll Oversight Committee has been considering the feasibility of moving towards having employees maintain the same PIN Code as they move from one category of the payroll to another. The Payroll Strategy and the recently developed Dual Employment Options Paper both note that allocating a different PIN Code to an employee as they move from one category to another has a number of downsides. These include the possibility of arriving at incorrect headcount for public sector workers and also not being able to identify cases of dual employment on the Government payroll.

In the current PIN Code system, if a teacher with a PIN Code starting with 3 becomes a consultant or a Police he or she is awarded a separate PIN Code starting with 7 or 2 respectively. The rational here is that this makes it easy for the authorities to identify which category of the payroll an employee belongs to. In consideration of the challenges observed with this system, a control measure is to be implemented for an employee to keep the same PIN Code even if he/she changes his/her payroll category three times during their working life in the public service.

**(v) Proper Deactivation of Payroll Records**

Investigations conducted recently into the contributing factors of dual employment reveal that the system of ending assignments needs to be strengthened for employees who leave the public service (retirements, suspensions, etc) or as they move from category of the payroll to another. In this regard, systems and manual controls are being put in place such as developing clear workflows to be followed in updating both the employee's assignment file (containing all the information relating to the employee's job e.g. position, pay scale, etc) and the employee file (containing personal information of the employee, e.g. DOB, address, etc) when ending an assignment. These will be incorporated in a comprehensive HR/payroll manual being developed that encompasses processing of Government payroll across all categories of public sector workers.

**(vi) Minimizing Manual Voucher Payment of Salaries**

About 28 percent of payroll payments are being paid manually as opposed to through the IFMIS HR/Payroll system. The Payroll Strategy notes that this impacts on transparency of the payroll as well as being able to control the wage bill. It is along these lines that the payroll for sub-vented agencies has now been automated (with the exception of a few on the grounds of being able to maintain their operational independence).

The Payroll Oversight Committee that is working closely with the Accountant General's Department will continue to take steps towards minimizing manual voucher payments in the coming years. The categories of payments currently under consideration for automation include GOSL's NASSIT contributions and the payroll of foreign missions.

**(vii) Addressing Multiple Pensions**

In line with the new Government's drive to have a handle on the fiscal situation, there has been renewed focus in MOF since the assumption into office of the new Government with regard to addressing the multiple pensions challenge considering the cost implications on the budget. This situation exists because the NASSIT Act 2001 did not consider the existing pension related laws such as the State Salaries, Pensions, Gratuities and Other Benefits Act, 2001 for Members of Parliament and Ministers, and the Judges Conditions of Service Act 1983. Therefore, it is possible for a Judge, for example, to end up with two pensions when he/she retires. To remedy this situation, MOF will seek to review and align all existing pension related laws. Options such as having Members of Parliament and Ministers contribute to a separate fund from which they will be paid their pensions are also being considered.

**(viii) Aligning Manpower Planning Process and Budget Preparation Process**

The Ministry of Finance, through its Budget Bureau, is considering options to align the man power planning process and budget preparation process, including the use of Wage Bill Budget templates that were developed and trialed during the development of the 2018 Budget. These templates will now be modified and training provided to aid MDAs and SVAs with completing them. Such a measure will contribute towards improving wage bill budgeting and control.

**(ix) Harmonisation of Salaries and Allowances across All public sector Payroll Categories**

There are disparities in pay and remuneration amongst the various public sector payroll categories. Disparities exist between MDAs and Sub-vented Agencies (SVAs) and it also among SVAs. With the automation of the payroll of SVAs some progress has been made with aligning allowances (rent and leave) received by SVAs to the rest of the public sector. In addition, the World Bank's Pay and Performance project has looked into the salary and grading structure across that civil service. There are proposals for harmonizing pay for the civil servants. However, more needs to be done to harmonise salaries and allowances across the all categories in the payroll. The Payroll Strategy recommends that the proposed Salaries and Wages Commission takes up this matter.

**(x) Assigning Public Sector Employees to their Correct Budget Programmes**

To improve on wage bill budget preparation and execution, measures will be put in place to assign payment of salaries for public sector employees to their correct budget programmes. All budget codes contained in the budget books will be aligned to the assignment files contained in the IFMIS HR/Payroll system. Efforts to align the budget codes to all assignment files were made during the 2018 Budget preparation and this is expected to continue. These measures will further assist with controlling the wage bill.

**(xi) Decentralisation of Data Input for Payroll Changes, and Employee Input at MDA level.**

The Payroll Strategy finds that the accuracy and cleanliness of the payroll is affected by the centralized nature with which the Human Resource Management Office (HRMO) implement payroll changes for civil servants. There is a reliance on HRMO to input payroll changes, and this is sometimes hindered by untimely receipt of payroll change requests from MDAs. To improve on this, the plan is to decentralize the IFMIS HR/Payroll system to MDAs so they will have direct access to the system to input payroll changes in a timely manner.

**(xii) Establishment of a Wages and Salaries Commission**

There is at present no single body charged with the responsibility of developing, coordinating and pursuing reforms that are related to pay and other conditions of service of public sector employees. The World Bank's Pay and Performance project recommended that a Salary and Wages Commission should be set up for these purposes, amongst other responsibilities. The establishment of the Commission will facilitate the design and implementation of public sector pay and performance reforms in a more strategic and holistic manner. This, in turn will support the better planning, budgeting and execution of the Government wage bill.

Discussions on the setting of the proposed Salaries and Wages Commission are ongoing led by the Human Resource Management office (HRMO) and the Public Sector Reform Unit (PSRU). The Payroll Reform Strategy developed by the Ministry of Finance and adopted by Cabinet in October 2017 proposed a number of reforms that will fall under the purview of the Commission. These include:

- Addressing issues related to disparity in salaries and allowances amongst the various payroll categories;

- Addressing issues related to disparity in terms and conditions amongst Sub-vented Agencies (SVAs);
- Take the lead in manpower planning and budgeting for Subvented Agencies (SVAs).
- In the medium to long term, ensuring that pay in the public sector reflects equity, merit and effort.

**6.3.2 Measures to Manage and Control Non-Salary, Non-Interest Recurrent Expenditures**

88. The procurement of goods, services and works accounts for a significant amount of Government expenditure. It is important therefore to improve the public procurement process in order to save expenditure and ensure value for money. In this regard, all public procurement above the legal threshold should be done through open competitive bidding. Sole sourcing method of procurement can only be allowed in exceptional circumstances such as the procurement of arms and ammunitions and incidences of natural disasters and epidemics.

89. In this respect, Government will review and amend the relevant sections in the Public Procurement Act (2016) and the Public Financial Management Act (2016) to clarify the roles and responsibilities of National Public Procurement Authority (NPPA) and the Procurement Directorate of Ministry of Finance as well as to strengthen compliance with the Public procurement Law.

90. The Ministry of Finance will also enforce and monitor the preparation and implementation of Procurement Plans in the context of the MTEF consistent with the PFM Act, 2016.

91. Government will also migrate from the current manual procurement processes to electronic procurement (e-procurement) system to improve transparency and ensure value for money (VFM).

92. 81. The Ministry of Finance will strengthen expenditure commitment control systems to avoid accumulation of arrears. To this end, the Ministry of Finance will roll out the automated PETS Form I to the MDAs. The upgrading the IFMIS to Version 7 will also help in enhancing the expenditure commitment control system by ensuring that MDAs are unable to enter into any commitment above the budgetary allocation issued by the Ministry of Finance.

93. To the extent possible, efforts would be made to discourage extra-budgetary expenditures by improving the budget planning process and ensuring strict to the provisions in the PFM Act (2016) relating to the control of extra-budgetary expenditures.

94. The Ministry of Finance will automate expenditure management including enterprise resource system to track in real time the stages of expenditures in the system.

### 6.3.3 Measures to Manage and Control Domestic Capital Expenditure

95. In recent years, Government, has made substantial increases in domestic public investment spending across all sectors in the economy to address the infrastructure deficit in the country. This has culminated in the scaled up of infrastructural development in roads, water, energy, information and communication technology, tourism, agriculture, health and sanitation, etc. In an effort to reduce the country's infrastructure deficit, however, the country has relied mainly on development partners to provide the funds in the form of Loans and Grants.

96. While there has been a substantial effort by the government to increase public investment in recent years, meeting the desired objectives has been affected by a series of challenges. These include but not limited to the following.

97. Weak project designs, screening and appraisals during project planning resulting in project cost and time overruns;

- Delays in funding during implementation,
- Inadequate monitoring and evaluation often resulting into poor project implementation and delays in project completion, and
- the practice of introducing additional projects during the budget year for which budgetary provision was not made.

98. Moreover, the lack of prioritization matrix that orders project adoption, implementation and payment in a formalized manner coupled with the limited funding often lead to delayed implementation of projects. This in turn undermines the technical feasibility of performing reliable expenditure forecasts.

99. To improve the efficiency of public investment and hence the rationalization of capital expenditure, Government is working to conclude and adopt the National Public Investment Policy and the National Public Investment Operational Manual, which are in conformity with the Public Financial Management Act of 2016 and its accompanying Regulations. This will improve the effective planning and efficient execution of public investment activities and inform capital expenditure rationalization.

100. Going forward, the following measures will be adopted as part of the capital expenditure rationalization:

- Government wholly funded projects should be negotiated in domestic currency with provision for domestic currency depreciation;
- Government wholly funded projects would be included in the Public Investment Programme (PIP) only after a thorough project appraisal demonstrates that the project is economically and financially viable and funding sources have been identified;
- Compensation policy (except for resettlement of persons) for Government wholly funded projects would be reviewed on a case by case basis. Some

compensation payments do not only add to the cost of the project but most times causes delay in project implementation;

- Hiring of external consultants for Government wholly funded projects need to be reviewed since some contracting authorities (i.e. SLRA for roads, EDSA and EGTC for energy) are presumed to have the required expertise to provide effective supervision of projects;
- There is the need for an ex-post evaluation of major projects for lessons to be learnt from which future public investment decisions would be referenced;
- For donor funded projects (most of which are secured from loans and grants), appraisals are often done with no reference to the Public Investment Management Unit, Public Management Debt Division and other relevant units within the Ministries of Planning and Economic Development, and Finance. Going forward project appraisal will be done in line with the provisions of the PFM Act 2016, the Public Debt Act 2013 and the National Public Investment Policy.
- Furthermore, as most donor-funded projects require Government counterpart funding, compensations for Project Affected Persons (PAPs) and resettlement needs (where applicable), payment for quarries and campsites, and other project related costs should be adequately budgeted for; and
- in the event of a Government counterpart funding, this should be paid in the local currency.

101. In order to evaluate the strength of our public investment practices, Government, with assistance from the IMF Fiscal Affairs Department, will embark on a Public Investment Management Assessment (PIMA), which is a tool that shapes public investment decision-making. It measures the sufficiency and efficiency of public investment and the resulting economic growth.

**6.3.4 Internal Audit**

102. One of the Principles of responsible financial management included within the PFM Act 2016 Part III para 20(1) “Any person, institution or agency responsible for or engaged in the management of public funds shall be guided by the principles of responsible financial management in order to ensure a prudent, efficient, effective and transparent use of public funds”. Whilst legislation and regulation can set a frame-work including principles and standards for sound financial management, however, those charged with responsibility for financial management have not in the past been held sufficiently accountable. An effective GoSL internal audit function can provide oversight and assurance to the Government through the Minister of Finance as to the robustness, effectiveness and compliance or otherwise of financial management controls within the GoSL public sector.

103. The PFM Act 2016 Paras 10 (1), 75 and 76 provide the statutory authority for internal audit and Audit Committees within GoSL. These are both cornerstones of good governance. The Internal Audit Department (IAD) is well established and in support of internal audit activities there are:

- Sierra Leone Public Sector Internal Audit Standards, drawn from international best practice;
- Sierra Leone Public Sector Internal Audit Manual supported by Internal Audit Good Practice Guides;
- Sierra Leone Internal Audit Strategy, and Annual Internal Audit Operating Plans for each Internal Audit Unit (IAU) within the MDAs;
- Quality Assessment & Improvement Programme tool for assessing IAUs within MDAs;
- Public Sector Audit Committee Handbook, again drawn from best practice.

104. However, there needs to be further development and strengthening of the GoSL internal audit and Audit Committees to support them in their goal to more effectively provide oversight and assurance to the Minister of Finance on financial management including governance, risk and internal control. The Government will take the following measures to strengthen internal audit

- Establishing an independent Internal Audit Agency with an Internal Audit Act – The establishment of an Internal Audit Agency will strengthen the independence of internal audit which is currently a challenge. In the interim, the Ministry of Finance is trying to centralise the budget of all internal audit units in central Government so as to reduce the obstacles internal auditors face in accessing funds from their MDAs. Also, the Internal Audit Act will enhance the quality of internal audit reports through continuous and periodic quality assurance and improvement programme.
- Establishing and embedding the Government Internal Audit Committee and MDA Audit Committees – the establishment of functioning audit committees in line with the Public Financial Management Regulations 2018 would follow up recommendations in both internal audit reports and external audit reports are with management of MDAs to ensure that they are implemented. In cases of non-conformance, the relevant punitive measures in the Regulations can be invoked.
- Introduction a real time follow-up process on the implementation of audit recommendations.
- IAD to take the lead in establishing Government wide enterprise risk management across all MDAs – Government plans to establish enterprise risk management at central Government and Local Council level to better manage its risks. The Chief Risk Officer in the Ministry of Finance and the Risk Champions in the various MDAs and Local Councils will work with various process owners to identify the institution’s risks and the associated controls which will be captured in the risk register. This coordinated approach to risk management will enhance the Government’s ability to meet its objectives and strategies. The framework will be piloted to selected MDAs once the policy is approved.
- Improving the professionalism and training of internal audit staff, including within the area of information technology auditing;
- The application of Sierra Leone Government Internal Audit Standards to all State Sponsored Bodies, Public Enterprises, Local Councils and Commissions.

# 7. FISCAL RISKS STATEMENT

## 7.1. Macroeconomic Risks

105. Macroeconomic shocks, such as unexpected movements in macroeconomic variables such as GDP growth, interest and exchange rates, commodity prices and inflation are a risk to the attainment of the fiscal objectives specified in the Fiscal Strategy Statement. These shocks can be positive or negative in nature, and arise from both external and domestic sources. There are a range of transmission mechanisms through which these can impact on the economy and Government revenues, expenditure and the stock of public debt. While the direction of the impact can be assessed ex-ante, the exact magnitude of impact on the budget of various shocks is complex and difficult to determine.

### Fall in the International price of Iron Ore

106. Sierra Leone is highly dependent on the international price of its major commodity exports, particularly iron ore, for revenue and foreign exchange. Iron ore exports account for over 50 per cent of total exports from Sierra Leone.

107. Lower iron ore prices would have negative impacts on the economy and budget, although the exact impact would depend on the extent and duration of any fall. The international iron ore price is increasingly sensitive to changes in demand from China, which has seen exceptionally strong demand for construction and this had pushed the international price for iron ore and coal well above historical levels. A slowdown in the Chinese economy or construction sector may lead to a sharp fall in the price of iron ore. This in turn would lead to slower growth in GDP, through lower mining activity and exports, as well as employment.

108. This would have a cumulative negative impact on domestic revenue collection as royalty payments, personal income tax, corporate tax from mining contractors would drop. At the same time, the low level of exports would reduce the supply of foreign exchange in the economy, which will trigger inflationary pressures. The resulting increase in consumer prices would increase the cost of goods and services purchased by Government.

109. Under this scenario the budget will be adversely affected through weaker revenues and increased expenditures, making it difficult to achieve the fiscal objectives specified in section II of the FSS.

110. The lower iron ore prices in during 2015, 2017 and 2018 is an example of this scenario, which saw iron ore production shutting down resulting in slow GDP growth, lower revenues and employment as well as continuous depreciation in the exchange rate.

## Exchange Rate Depreciation and High Inflation

111. As a small open economy, Sierra Leone has limited influence on its exchange rate. The exchange rate is influenced by the *relative* strength of the Sierra Leone economy, and is influenced not only by developments in the domestic economy, but also by international developments over which we have little or no control.

112. In recent months, the exchange rate of the Leone to the US Dollar and other international currencies has depreciated sharply mainly due to the low level of exports as well as speculative behavior by the business community. Sierra Leone has a substantial stock of external public debt denominated in foreign currency, estimated at US$ 1.5 billion at end June 2018. A depreciation in the exchange rate would increase debt service payments, both principal and interest, with an adverse impact on the budget.

113. In addition, the depreciation of the exchange rate can lead to increase in the prices of imported goods, which may be of concern especially for some commodities such as rice and fuel. Government purchases a large proportion of these goods (rice for the security forces and fuel for all MDAs) and also undertakes several infrastructure projects with high import content. Under this scenario, the depreciation in the exchange rate would increase Government expenditure on goods and services and give rise to cost overruns on infrastructure projects, which in turn would widen the budget deficit or lead to the accumulation of arrears. The increase in interest payment, domestic capital spending and goods and services expenditure will worsen the budget deficit.

114. However, the depreciation of the exchange rate may have a positive impact on public finances through an increase in the CIF value of imports on which import and excises duties are levied. Moreover, some of the revenue streams such as royalties and licenses on minerals and fisheries are paid in US dollars. Overall, the increase in expenditure as a result of exchange rate depreciation is believed to outweigh the increase in domestic revenues, thereby worsening the fiscal situation.

## Weak Revenue Collection

115. Domestic revenue collection in recent years averaged 11.0 percent of GDP compared to the Sub-Saharan average revenue of 18 percent of GDP. This low level of revenues in the midst of higher domestic expenditures of about 20 percent of GDP has been a significant fiscal risk.

116. The low revenue collection is attributable to weak tax administration, generous duty and tax exemptions, wide ranging off budget revenues and a narrow tax base. The result has been a wider fiscal deficit and increased domestic borrowing especially from the banking system as well as the accumulation of arrears to suppliers and contractors, which in turn has increased the level of domestic debt estimated at Le 5 trillion and associated debt service payments. Total crystallized arrears are estimated at Le1.5 trillion as at end March 2018. The high debt service payments crowd out priority poverty-related expenditures.

**High Public Debt Stock**

117. Sierra Leone has a substantial stock of foreign debt, estimated at US$2.0 billion (over 40 percent of GDP). Used productively, borrowing can be used to fund investment in essential infrastructure, helping to boost future growth potential, or to manage temporary downturns in revenues over the macroeconomic cycle. However, ongoing reliance on debt to fund Government operations will have a destabilizing effect on the budget and the economy.

118. The current stock of debt acts as a significant drag on the budget given its associated debt service payments (interest payments and debt amortization) projected to amount to Le 1.25 trillion in 2018 in the midst of low domestic revenues. Further increase in the debt stock would increases debt service payments, which would further reduce funds available for other Government priority spending or lead to increasing deficits and further borrowing.

**Rise in Domestic Interest Rates**

119. Sierra Leone also has a substantial stock of domestic debt in the form of marketable and non-marketable securities. As at June 2018 these amounted to Le 5 trillion with debt service payments amounting to Le 854 billion or 16.5 per cent of recurrent expenditure. Borrowing has risen strongly in recent years.

120. Interest rates have remained high at 28 percent for the 365-day Treasury Bills, which accounts for over 80 percent of the marketable treasury securities reflecting the increasing Government borrowing and rising inflation. Further increases in domestic interest rates would increase government spending on debt service payments, weakening the budget position.

121. Interest rate rises would also flow through to private sector activity through high cost of borrowing from the commercial banks. This will reduce private investment activities and slower growth, which will have an adverse impact on Government revenues.

**Volatility in Economic Growth**

122. Sierra Leone’s economic growth has been very volatile in recent years. Following the strong growth of 20.5 percent in 2013, the economy slowed down to 4.6 percent in 2014 and contracted massively by 20.5 percent in 2015 due to the twin shocks of the Ebola epidemic and the collapse in iron ore prices. The economy recovered in 2016 by 6.3 percent but slow down to 3.7 percent in 2017. The economy is projected to grow at the same pace in 2018 at 3.7 percent in 2018 as in 2017 due to the closure of the Tonkolili Iron Ore Mine, largely, on account of weak market conditions. The volatility in economic growth is usually accompanied by a contraction of the tax base, hence weak revenue collection. At the same time, expenditure pressures remained high to support economic recovery.

## 7.2. Central Government Contingent Liabilities

### Public Private Partnerships (PPPS)

123. In recent years, the Government of Sierra Leone has entered into Public Private partnerships for the delivery of infrastructure projects in energy, roads, ports etc. Total PPP transactions entered into by Government to date amounted to US$116.1 million (see annex 6). While PPPs provides efficient delivery, effective and timely completion of infrastructure projects, and better fiscal control of infrastructure and public services, there are inherent fiscal risks in the form of contingent liabilities that may adversely impact the fiscal position of Government, if they materialize; for example, early termination of contracts, minimum revenue guarantees.

### Operations of State-Owned Enterprises

124. The financial position of most of the state-owned enterprises is weak. Most of them are operating at loss due to high administrative costs, below market charges for their services as well as inefficient management and poor governance. The state-owned banks are saddled with high levels of non-performing loans, whose provision has eroded their capital base over the years. The utility companies (EGTC, EDSA, GUMA and SIERRATEL) and the Sierra Leone Road Transport Corporation cannot cover their respective costs of production due to inefficient management and poor business models.

125. Some of them owe debts to the domestic banking system and external private and public creditors. Most of them cannot service the external debts on-lend to them by the Central Government (SALCAB and SIERRATEL). Thus, these SOEs are not financially and operationally sustainable, resulting in poor service delivery. They have not been able to pay dividends to Government; instead they rely on subsidies from the Government. The banks, in particular, require bailout in the form of recapitalization by the Government.

126. The continued weak financial operations of these SOEs will pose a major fiscal risk to Government in the form of subsidies and or transfers as in the case of EDSA, EGTC, SLRTC and GUMA and recapitalization in the case of the state-owned banks. The amounts involved are high and could derail the implementation of the Government budget.

## 7.3. Policy Risks

127. Policy risks can also weaken the state of public finances. The weak implementation of policy reforms or budget support disbursement triggers by MDAs including the Ministry of Finance is one the greatest risks to the implementation of the budget. In most cases, contracts for the supply of goods and services are entered into by MDAs and approved by the Ministry on the basis of the expected disbursement of budget support by development partners. In the event, where the triggers are not implemented, development partners will not disburse budget support and this complicates budget execution. Government would have to resort to

increased domestic borrowing and or accumulate arrears with attendant macroeconomic consequences.

### 7.4. Natural Disasters and Epidemics

128. Natural disasters and epidemics such as the Ebola outbreak, flooding, mud slides can derail budget implementation given the unexpected expenditures requirements in the midst of declining revenues that accompany the disruptions to economic activity.

### 7.5. Mitigation Measures and Contingency Plans

#### Mitigating macroeconomic risks

129. To mitigate the macroeconomic risks, Government is pursuing fiscal consolidation with emphasis on intensifying domestic revenue mobilization and expenditure rationalization measures. The implementation of the Domestic Revenue Mobilisation Strategy and other revenue enhancing measures will enable Government to attain the revenue to GDP target of 20 percent of GDP in the medium-term. In addition, the expenditure management and control measures including implementation of the Payroll Reform Strategy, improving public procurement systems, strengthening the commitment control systems, automating the budget execution processes, rolling out of IFMIS to all MDAs and improving the efficiency of public investment combined with prudent public debt management and supported by pro-active monetary policy will promote fiscal and debt sustainability to restore and sustain macroeconomic stability.

130. To consolidate these efforts, Government has entered into negotiations with the IMF for the re-launch of the economic programme –the Extended Credit Facility (ECF) Arrangement. This programme will support the implementation of prudent fiscal and monetary policies. It will also facilitate the disbursement of external budget and balance of payment support, which will provide additional fiscal space, contribute to the building of foreign exchange reserves, thereby stabilising the exchange rate.

131. Moreover, Government will pursue the diversification of the economy as articulated in the National Development Plan (2019-2023) to reduce the reliance of the economy on one or few sectors. In this respect, Government will seek to increase public and private investment in agriculture, fisheries and the tourism sectors to improve productivity and value-addition.

#### Mitigating Measures for Contingent Liabilities

132. Given the complexity of PPP transactions compared to traditional procurement of projects, there is need to build capacity in PPP negotiations, structuring, assessing costs, benefits and risks in the selection of projects. The selected projects should be chosen for good reasons and be fiscally sustainable in the medium-to long term. The contractual risk should also be adequately allocated between public and private partners.

133. There is therefore the need to improve the governance of PPP transactions for infrastructure projects. Government can seek technical support for the application of tools developed by the IMF and the World Bank such as the Public Investment Management Assessment (PIMA) for the evaluation of Public Infrastructure governance and management and the PPP Fiscal Risk Assessment Model (PFRAM) for the assessment of PPP fiscal costs and risks. Government has sought technical assistance from the IMF Fiscal Affairs Department for the conduct of a PIMA.

134. To address the issue of contingent liabilities, including those emanating from the operations of state-owned enterprises, the Ministry of Finance has established a dedicated Fiscal Risk and SoE Oversight Division charged with the responsibility for fiscal risk analysis and management.

**Mitigating Measures and Contingency Plans for Natural Disasters**

135. To mitigate the impact of natural disasters, Government should be pro-active in strengthening its Disaster preparedness, response and management capabilities. In this regard, Government has established a Disease Surveillance, Monitoring and Control Unit within the Ministry of Health and Sanitation to provide early warning signals for potential epidemics and design measures to contain them. Government is also in the process of establishing a Disaster Control and Management Agency, separate from the Office of National Security to provide prompt response to and manage the aftermath of natural disasters.

**Annex 1. Assumptions underlying the Forecasts 2018-2023**

**Box 1.1: Assumption Underlying Sectoral GDP Forecasts**

1. **Agriculture**

   *Short term*

   - *In the short-term (2018-2019), the Government through the Ministry of Agriculture and Forestry will continue to provide support to farmers engaged in the production of rice in the form of agricultural inputs (improved variety of seed rice, fertilizer, power tillers, rice mills and pesticides). Extension services would be scaled up through Farmer Field Schools while efforts are on-going for the preparation of a National Irrigation Master Plan.*

   - *For other Food Crops, Government will continue to provide improved varieties of planting materials.*
   - A number of sectoral reforms are also being implemented to encourage private investment in the agricultural sector including the enactment of the Seed Act, Fertilizer Act and the establishment of a Seed Agency.
     **Cash crops:** the European Union Boosting Agricultural (BAF) Project is supporting the replanting of Cash Crop Plantations with short duration, high yielding and disease resistant variety of oil palm, cocoa, coffee and cashew.
   - **Livestock:** The focus on the short-term is disease prevention and control through the vaccination of cattle and poultry.

- **Forestry:** An inventory of the amount of forestry in the country is being undertaken. Establishment of nurseries to support country wide re-afforestration.

***Medium Term – 2019-2023***

*In the Medium-Term, the Ministry of Agriculture and Forestry will focus on improving agricultural productivity through improved technology especially Irrigation and Mechanization, both to increase area under cultivation and yield per acre to enable cultivation several* times during the year.

- Mechanization would be applied along the value chain from production to processing. Tractors and other agricultural machinery would be made available to farmers at the district level for hire using the Ring system.

- Other measures to improve agricultural productivity in the medium term supported by donors and Government include: increasing access to finance, reconstruction of all-weather feeder roads and the rehabilitation of Inland Valley Swamps.

**2. Fisheries**

***Short term***

- In the short-term, Government will invest in Fisheries outstations in Shenge, Bo, Bonthe to improve fish processing; enforcement of the use of appropriate fishing nets and data collection;
- Intensify monitoring territorial waters using the Patrol Vessel already acquired;
- Pilot Aqua-Culture in Bo, Makali and Kono to increase fish supply in the provincial areas.

***Medium Term – 2020 -2023***

- Establishment of a Fish Harbour – A US$50 million investment by the Chinese including ice processing, cold rooms, electricity, water and sanitation is being negotiated;
- Harmonization of fisheries policies with other countries in the sub-regional;
- Strengthening fisheries surveillance to contain illegal, unregulated and unreported (IUU) fishing.
- Embark on commercial aqua-culture;
- The Global Environment Facility (GEF) Grant for sustainable governance and management of fisheries sector will support (i) governance and capacity building, (ii) reduction in illegal, unregulated and unreported fishing (IUU) (iii) value-addition including support to facilitate certification, support core management practices and empower fishing communities;
- The World Bank funded Regional Fishing Project promotes regional cooperation, monitoring, control and surveillance of (IUU) fishing activities as well as capacity building. It includes regional Vessel Monitoring Systems (VMS) for 13 countries including Sierra Leone.

**Mining**

- Iron ore production is projected to increase from nil output in 2018 following the temporary closure of the Tonkolili Mine to 1 million metric tons in 2019 and 2020 as Sierra Minerals owned by Gerald Metals re-opens the Marampa Iron Ore mine.

Total iron ore production will increase to 6 million metric tons in 2021 as the Tonkolili Mine re-opens and commence mining and beneficiation of iron ore in 2021. Production is projected to reach 7.4 million metric tons by 2023 as Shandong Iron and Steel Group ramps up production at the Tonkolili Mine.

- Diamond output is projected to increase from 301,000 carats in 2017 to 765,000 carats in 2018 further to 830,000 carats in 2019 and remain at that level up to 2023 following the complete transition from open pit mining to underground mining. Diamond prices are also projected to increase over the period.

- Rutile production is also projected to increase over the period as the company invests in and expand dry mining of rutile. Rutile prices are also projected to increase over time. table.

- Similarly, the production of ilmenite and zircon, by-products of rutile, are projected to increase over time as the production of rutile increases

**Construction**

- Construction will increase as capital investments increase to support infrastructure development.

**Manufacturing**

- The manufacturing sector will benefit from improved electricity supply and expansion in demand including exports to other countries in the sub-region.

**Energy**

***Short Term***

- In the short-term Government will focus mainly on improving the transmission and distribution network and would utilise Independent Power Providers (IPPs) to complement the Government owned generating assets, which include the Bumbuna Hydro Dam (30-50 MW) at peak periods during the rainy season and 8-10 MW in low periods during the dry season; 17 MW (Watsilla) at the Black Hall Road Power station; and 10 MW (Nigata) at the Kingtom Power station for the city of Freetown.
- The Bankasoka mini-hydro of 2 MW will start operations by the end of 2018. In addition, Charlotte Mini-Hydro - 2 MW and 125 KVA at Makali are almost complete.
- Government has entered into contracts with an IPP Karpower for the generation of 30 MW of power during the dry season and 15 MW during rainy season for the period July 2018 to 2020 and Sunbird for the supply of 15 MW;
- The Dodo Hydro-Dam will continue to provide power to Bo-Kenema townships to complement the thermal power stations;
- The ABU DABI funded 6 MW of Solar Energy at Newton on the outskirts of Freetown will be completed by 2019;
- With funding provided by DfID and AFDB, the Bo-Kenema transmission and distribution network will be rehabilitated in anticipation of the Cote D'Ivoire, Liberia, Sierra Leone and Guinea (CLSG) transmission line under the West Africa Power Pool Project. The network will be expanded from 11 KVA to 33 KVA, revamp the T & D and extend to un-served areas in the districts;
- Governm

ent will engage an IPP to provide 8-10 MW to Bo and Kenema cities by 2019;

***Medium Term – 2019-2023***

- In the medium-term, Government in partnership with Sela Hydro and Joule Africa, is constructing Bumbuna Phase II, which is expected to generate 143 MW of power at the peak period and an average of 80MW year-round by 2023 at a total cost of US$750 million;
- By December 2020, the CLSG transmission line will reach Sierra Leone. It will pass through seven districts and benefit additional 29-42 communities that are located 2 kilometres away on either side of the transmission line.
- By 2020 the Western Area Power Generation Project funded by World Bank, IFC, AfDB, EIB and private investors is expected to reach financial closure by end 2018. Phase I of 57 MW out of the 128 is expected to be complete by 2020.
- Provincial Electrification Project: Installing Generation transmission and distribution systems in six districts headquarters including Bonthe, Kailahun and Pujehun in order to attract IPPs.

**Water**

The proportion of households with access to safe drinking water was 39 percent for the entire country in 2015. In the urban areas 75 percent of the households had access to safe drinking water.

**Water Supply in the Rural Areas**

The objective is to improve access to water from 47 percent in 2018 to 75 percent in the rural areas by 2023. The projects are implemented by the Sierra Leone Water Company (SALWACO)

***Short Term***

- The first phase of the 3-Towns Water Supply and Sanitation Project for the three Regional HQ Towns of Bo, Kenema and Freetown was completed in 2017 to meet 50 percent demand for water in these districts. The total cost of project is $ 61million, of which, AfDB provided $42 million; OFID provided $19 million; and GoSL counterpart funding of Le 5.0 billion plus indirect cost from duty waivers;

- Second Phase of Three Town Water Supply secured for the expansion of first phase, which involves connecting households. This is expected to increase coverage from 40 percent to 90 percent. The cost of the second phase of the project is $13.5 million.

- First phase water supply project for Magburaka under implementation. Cost of project is $ 9.6 million - a loan from EXIM Bank of India);
- Rehabilitation of Kabala Water Supply distribution system is on-going (cost of project $ 17 million by BADEA);
- Phase 2 of the rehabilitation of the Lungi water supply system will be completed in 2019;
- Phase 2 of the Blama Water Supply system funded by the Government of Sierra Leone will be completed in 2019;
- The United Arab Emirates is funding the construction of 49 solar-powered boreholes and 63 hand dug wells all over the country;
- The AfDB funded Rural Water Supply Project is supporting the construction of 164 hand dug wells.

***Medium Term – 2019-2023***

- The Rural Water Supply and Sanitation Project is funding the construction of boreholes, gravity systems and hand dug wells in Pujehun, Kambia, Kono, Karene, Koidu City, Bonthe City and Falaba district. This will improve access to water by 7 percent for 625,000 persons by 2020.

- Construction of Boreholes and Gravity Water Supply Facilities in Peri- urban areas and Western Rural Areas;

**Urban Water Supply**

**Short-Term**

- Government is funding the rehabilitation of the water supply distribution system in Freetown in 2018 and 2019 to reduce leakages at a cost of US$3.0 million;

- Government is funding the supply of Water meters, training and installation of test benches and billing software at a cost of $14.13 million to improve the sustainable management of water in Freetown;

**Medium-Term**

- The DfID funded Freetown Water Supply Rehabilitation Project will provide water supply to 600,000 persons in East of Freetown by 2020; preliminary design is completed while the preparation of detailed design for transmission and distribution of water in the Western Area is ongoing;
- The rehabilitation/replacement of 35km pipe network (including pump at Spur Road) will commence in November 2018;

- DfID and the World Bank are funding the rehabilitation of the Treatment Plant at No. 2 River-GUMA at a total cost of US$40 million ($ 38 million by DfID and $ 2 million by World Bank);

**Tourism and Culture**

**Short-term**

In the short-term, Government is funding a series of programmes and activities geared towards expanding the tourism industry, increasing its international image and ultimately increase tourist arrivals. These include:

- Beautification of Lumley Beach, and Aberdeen and Family Kingdom Roundabouts;

- Environmental, Sanitation and Security of the Lumley and Coastal Beaches;

- Adding value to tourism/ecotourism products and service delivery along some Peninsula Coastal Beaches;

- Undertake Promotional and Marketing initiatives through production of marketing tools, attendance at international tourism events, promotion of domestic tourism as well as collaboration with SL embassies and missions abroad;

- Significant increase in the number of hotels, resorts and guesthouses in Freetown and the district headquarter towns through private sector investments. 20 hotels and resorts in Freetown with 1,455 bedrooms; 5 hotels in the Southern Province (140 bed rooms); 4 hotels in the Eastern Province (151 bed rooms and 14 hotels in the Northern Province (965 bed rooms) to be completed in 2018;

- Research and development of cultural assets, institutions and industries nation-wide: collect data and information on the sector for effective decision making and promote increased awareness of cultural assets and products.

**Medium-Term**

The Sustainable Tourism Development and Promotion Project supported under the Enhanced Integrated Framework (EIF) for Trade-related Activities in Least Developed Countries Project is undertaking four major development programmes proposed by the National Tourist Board at a cost of US$2.99 million. These include

- Sector Governance (Formulation of an Ecotourism Policy and Action Plan and Amendment of the Development of Tourism Act 1990);

- Product Development (upgrading and adding value to 5 ecotourism sites i.e. Tiwai Island, Wara Wara Hills in Kabala, River No.2, Banana Island and Tacugama Chimp Sanctuary);

- Marketing and Promotion (promotion of marketing initiatives that support ecotourism in Sierra Leone;

- Capacity Building (enhance the capacity of selected institutions and both the private and public sector engaged in tourism training);

- Adapting to Climate Change induced coastal risks management in Sierra Leone to be supported by the Least Developed Countries Fund (LDCF) designed to "Strengthen the ability of coastal communities to systematically manage climate change risks and impacts on physical infrastructure and economic livelihoods. It is expected that addressing the above-mentioned activities, will conserve the environment and create an enabling environment for sustainable growth of the tourism sector thereby rebranding the image of the country, creating jobs, and reducing poverty. This in turn will increase the country's tourism competitiveness, and ultimately increase tourist/visitors arrival by around 30 percent in 2023;

**Box 2.1: Assumptions Underlying Revenue Forecasts - 2019 -2023**

**Box 2.1.1: Assumptions for Baseline Revenue Projections: 2019-2023**

**Corporate Tax**

Corporate tax is projected to grow in line with the projected growth of nominal GDP with an assumed buoyancy of 1.23.

**Government Personal Income Tax (PAYEE)**

Government PIT is projected on the basis of the level of the Wages and Salaries Expenditure with an assumed effective tax rate of 11.5 percent.

**Private Sector Personal Income Tax (PAYEE):**

Personal Income Tax from private sector Employees is projected to grow in line with the growth in nominal non-iron ore non-agricultural GDP

**Rental Income Tax**

The Withholding Rental Income Tax is projected to grow in line with the increase in economic activities (nominal GDP) with an assumed effective tax rate of 0.07 percent.

**WTH Personal Income Tax on Imports**

This is forecasted by applying the 5 percent tax rate on dutiable imports, (estimated at 40 percent of total imports given recent trends), and assuming a tax gap of 30 percent

**Payroll Tax**

Assumed to be growing at the same rate of real GDP at market prices.

**Foreign Travel Tax**

Foreign Travel Tax is projected to grow in line with the growth of the import of transport services with an effective tax rate of 10 percent and assuming a tax gap of 75 percent.

**Domestic GST**

Domestic GST is projected to grow in line with the projected increase in domestic consumption at the estimated buoyancy of 14.4 percent in 2019, 15.3 percent in 2020, 13.2 percent in 2021, 10.4 percent in 2022 and 10 percent in 2023.

**Import GST**

Import GST is projected to increase in line with the increase in dutiable import of goods and services, excluding fuel and rice imports (estimated at 40 percent of total dutiable imports) with an effective tax rate of 10.85 percent

**Import Duties**:

Import duty is projected to increase in line with the projected growth in imports including fuel but excluding rice with an effective tax rate ranging from 4.61% in 2019 to 4.65% in 2023.

**Excise Duty on Fuel**

Excise duty on Petroleum Products is projected to increase in line with the increase in sales volumes, which are in turn projected to increase in line with projected real GDP growth

**Import Excise Duties**

Excise Duty on Imports is projected by multiplying the proportion of dutiable imports (estimated at 40 percent of total import given current trends) by the estimated effective tax rate for import excise of 0.328 percent

**Domestic Excise** Duties Assumed to be growing at the same rate as nominal GDP

**Mines Department**

Royalty on Minerals (iron ore, diamond, rutile, bauxite and gold is projected to increase in line with the growth in export values at the prescribed royalty rate for minerals (3% of export values)

**Mineral Licenses**

Mineral licences are forecasted to increase in line with the growth of mining sector real growth rate

**Royalty on Fisheries**

Royalty on fisheries is projected to grow at the same rate as the nominal GDP growth of the fisheries Sector

**Parastatal Dividends**

Dividend from parastatals is based on the expected payment of concession fees by Bollore for the Container terminal and Break-Bulk licenses', NECTAR UK Ltd for Break Bulk and TPMS for cargo tracking.

| 2018 | 2019 | 2020 |
|---|---|---|
| US$6,194,627 | 0 US$6,363,825 | US$6,566,500 |

(the National Commission for Privatisation provided the information on these fees by agency)

**Royalty on Timber**

This revenue source is assumed to be growing at the same rate as Nominal GDP

**Revenue from TSA Agencies**

Revenues collected by the TSA agencies is assumed to be growing at the same rate of nominal GDP

**Revenue collected by Other MDAs**

Fees, licences and charges collected by other Government MDAs is assumed to be growing at the same rate as Real GDP

**Box 2.1.2: Assumptions for Revenue Projections with Efficiency Gains**

The following assumptions are for the efficiency gains added to the baseline of the model - whose assumptions are already evident within the SLIMM.

**Corporate Tax:** Corporate tax has been projected based on growth in non-iron ore and non-agricultural GDP on the grounds that these sectors are either exempt from payment of corporate tax or not profitable enough to be charged corporate tax. The efficiency gain will arise from the implementation of transfer pricing legislation from 2020 onwards and is set equal to 3% of the currently forecasted value of corporate tax.

**Withholding tax on rent**: The efficiency gain stems from the creation of a rental unit which will closely monitor the development of withholding tax and update the properties' registry together with the councils. The gains have been estimated assuming a mark-up of 3% on the growth rate of general income tax.

**Non-government PAYE:** The efficiency gains are deriving from an increase in audit capacity, an improvement of the taxpayer database and the restart of Shandong in 2021. Regarding audit capacity, the increases are due to a combination of an increase in number of auditors, enhancement of their training, availability of accounting and auditing software, centralisation of all auditors in a single Audit Unit and from the introduction of a premium for successful GST audits. The figures for the increases are calculated assuming an annual growth rate of 10% on the Le32 Billion recovered in 2017, half of which is allocated to non-government PAYE while the other half is allocated to domestic GST. With regard to the improvement of the taxpayer database, the increase has been estimated by applying an annual growth rate of 10% to the contribution of SMTO to income tax collection in 2017, split 40%-60% between non-government PAYE and withholding tax personal. Finally, Shandong contribution to non-government PAYE has been assumed at Le60 Billion per year, which is a conservative figure within the range of the previous contribution of the company to this tax stream.

**Withholding tax personal**: The efficiency gains are derived from both the improvement of taxpayer database and a more thorough enforcement of payment of income tax by professionals. The contribution from the improvement of the taxpayer database have been calculated applying an annual growth rate of 10% to the contribution of SMTO to income tax collection in 2017, split 40%-60% between non-government PAYE and withholding tax personal. The contribution from a more thorough enforcement of income tax payments from by professionals has been assumed equal to Le1 Billion in 2019 with a consequent yearly growth of Le0.5 Billion per year.

**Domestic GST:** The efficiency gain from domestic GST come from the increase in audit capacity (explained under non-government PAYE) and the implementation of electronic cash registers. Both measures should contribute to the reduction in the tax gap, which has been assumed equal to 40% in 2018 as of the most recent available figure. The application of these two measures will reduce the gap of 6% per year, so that it stands at 10 percent by 2023.

**Import GST**: The efficiency gains in import GST derive from the Government policy of strongly reducing the concession of duty waivers and ensuring that all taxes are paid on government contracts. We have assumed that 80% of the duties waived on government contracts in 2017 will be enforced in 2019, and we have then applied an annual growth rate of 5 percent from 2020 onwards. Half of these gains were allocated to import GST while the other half to import duties. Furthermore, we have assumed that a further push from the Government to reduce the application of duty waivers in other sectors of the economy will increase the amount of dutiable imports from 40% in 2018 (average of the 2013-2017 period) to 65% in 2023 with an increase of 5% per year.

**Import duties**: On top of the same assumption applied to import GST (suspension of 80 percent of duty waivers on government contracts and general increase of dutiable imports from 40 percent in 2018 to 65% in 2023), the efficiency gains for import duties derive from the application of the ECOWAS common external tariff. The contribution of CET to revenue mobilisation has been estimated though an analysis based on the TRIST model developed by the World Bank.

**Petroleum Excise:** Assumed sustained liberalisation of fuel, and increased consumption from revitalized mining activities in the medium term

**Import Excise**: From alcohol, luxury vehicles and cosmetics. Grown from the projected import

**Domestic Excise:** tobacco sale and domestic alcohol production. Assumes strengthened administration through development of a domestic excise compliance strategy and stronger monitoring and enforcement

**Marine Resources:** the contribution of marine resources to revenue mobilisation has been linked to the nominal growth rate of the fishery sector. Construction of fish habour, export of fish to EU, increased monitoring of off-shore fishing

**Parastatal dividends:** the efficiency gains derive from the assumption that a series of partially government-owned entities will turn profitable in 2021, yielding a tax gain of Le20 Billion. Afterwards, we have assumed that this amount will grow at the same rate of the nominal "non-iron ore non-agricultural" GDP.

**TSA**: assumes more MDAs will be brought in from 2019 onwards and also grown by growth in the services sector.

**Timber revenue:** assumes continuation in timber harvesting in the medium term even though closely monitoring through increased afforestation

**Other MDAs:** we have assumed an increase of Le10 Billion per year in this revenue stream as more MDAs will start channelling the revenue they collect to the CRF.

**Box 2.2: Assumptions Underlying Expenditure Projections 2019-2023**

The strong projected growth in domestic revenue is expected to provide enough fiscal space to support an ambitious expenditure programme over the medium-term, with most of the additional fiscal space allocated to the Free Quality Education Flagship Programme and Domestic Capital projects in the outer years.

***Recurrent expenditure***

- **Wages and Salaries** – It is assumed that the ratio of wages and salaries to non-iron ore GDP will decline over the medium-term, from 6.7 percent of GDP to 6 percent of GDP in 2021-23, the sustainable threshold for the Government Wage Bill in developing countries. Government is expected to achieve this target by continuing to rationalise the wage bill through a number of measures as outlined in section 6.

- **Non-Salary, Non-Interest Recurrent Expenditure** is assumed to grow in line with consumer prices (inflation). The projected increase in Goods and Services expenditure also reflects Government policy of providing free quality primary and basic education.

- **Interest Payments** – Both domestic and foreign interest payments are expected to increase in absolute terms, but to decrease as a share of non-iron ore GDP since financing needs are projected to decrease over the medium-term as domestic revenue increase to 20 percent of GDP.

***Development expenditure and net lending***

- **Development Expenditure and Net Lending** is expected to increase over the medium-term, reflecting the scaling up of domestic capital spending.

- **Foreign funded Capital Expenditures** are assumed to be stable in absolute terms over the medium-term, with the disbursement of foreign project loans assumed to average US$100 million per year.

- **Domestic Capital expenditure** will be scaled up on account of the allocate Government policy to allocate most of the projected increase in domestic revenue to domestically-funded capital projects.

## Annex 2.1 Domestic Revenue Projections (Le bn) -2018-2023

| Domestic Revenues Projectes (Le billion) - 2018 -2023 | | | | | | |
|---|---|---|---|---|---|---|
| | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** |
| Revenue Stream | | | | | | |
| Domestic Revenue | 4,455,627 | 5,662,859 | 6,868,269 | 8,745,873 | 10,620,871 | 11,991,306 |
| % Non-iron Ore GDP | 14.3 | 15.7 | 15.9 | 17.5 | 18.6 | 20.0 |
| Domestic Tax Department | 2,527,039 | 3,126,855 | 3,625,038 | 4,660,185 | 5,751,179 | 6,601,698 |
| Income Tax | 1,626,805 | 2,017,842 | 2,289,415 | 2,916,430 | 3,595,955 | 4,091,599 |
| Corporate Tax: | 318,260 | 462,359 | 541,624 | 691,682 | 865,294 | 995,678 |
| Personal Income Tax: | 1,281,842 | 1,524,240 | 1,714,091 | 2,184,870 | 2,685,228 | 3,047,071 |
| | | | | | | |
| Goods and Services Tax (GST) | 900,234 | 1,088,459 | 1,336,387 | 1,743,755 | 2,155,224 | 2,510,099 |
| Domestic GST | 503,896 | 452,789 | 758,057 | 983,068 | 1,219,622 | 1,417,216 |
| Import GST | 396,338 | 635,670 | 578,330 | 760,687 | 935,602 | 1,092,884 |
| Customs and Excise Department | 951,706 | 1,450,600 | 1,726,423 | 2,140,243 | 2,545,047 | 2,848,602 |
| Import Duties | 603,077 | 812,473 | 962,578 | 1,242,117 | 1,534,139 | 1,776,131 |
| Excise Duty on Fuel | 323,100 | 590,006 | 706,005 | 823,599 | 925,143 | 980,601 |
| | | | | | | |
| Mines Department | 220,690 | 228,785 | 267,086 | 381,172 | 461,282 | 488,727 |
| Minerals Royalties | 148,022 | 146,356 | 175,144 | 268,199 | 329,131 | 346,000 |
| Minerals Licenses | 72,668 | 92,154 | 102,788 | 112,972 | 132,150 | 142,727 |
| Other Departments | 627,296 | 751,728 | 1,115,857 | 1,408,905 | 1,688,648 | 1,866,839 |
| Marine resources | 93,750 | 109,439 | 122,485 | 156,243 | 190,918 | 218,612 |
| Parastatal Dividends | 44,114 | 155,089 | 49,088 | 77,361 | 85,716 | 88,968 |
| Other revenues (Including Timber&TSA) | 489,432 | 491,050 | 944,285 | 1,175,302 | 1,412,015 | 1,559,259 |
| Road User Charges & Vehicle Licences | 128,909 | 125,445 | 133,101 | 155,369 | 174,715 | 185,441 |
| **Non- Iron Ore GDP** | 31,066,953 | 35,107,547 | 43,277,204 | 49,976,418 | 57,101,458 | 59,956,531 |

## Annex 2.2 Expenditure Projections (Le bn)-2018-2023

| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|
| Nominal Non-Irton Ore GDP | **31,066,953** | **35,107,547** | **38,793,042** | **42,287,630** | **46,682,745** | **50,519,297** |
| Total Expenditure & Net Lending | 7,383,365 | 7,493,682 | 9,087,671 | 9,962,055 | 11,011,053 | 12,065,934 |
| Recurrent Expenditure | 5,173,688 | 5,456,496 | 6,318,057 | 6,762,383 | 7,387,591 | 8,007,061 |
| Wages & Salaries | 2,067,800 | 2,400,301 | 2,405,627 | 2,537,677 | 2,801,350 | 3,031,492 |
| Non-Salary, Non-Interest Recurrent Expenditure | 2,154,806 | 2,021,634 | 2,756,473 | 3,020,511 | 3,297,555 | 3,595,325 |
| Goods and Services | 1,300,143 | 1,305,799 | 1,664,256 | 1,823,673 | 1,990,941 | 2,170,724 |
| Social and Economic | 551,668 | 626,199 | 706,166 | 773,809 | 844,783 | 921,067 |
| o/w Free Education (Senior Secondary) | 119,732 | 123,665 | 153,264 | 167,945 | 183,349 | 199,905 |
| General and Others | 486,130 | 443,489 | 622,274 | 681,880 | 744,423 | 811,645 |
| Defence Expenditure | 106,687 | 96,018 | 136,565 | 149,646 | 163,372 | 178,125 |
| Police | 97,470 | 87,723 | 124,767 | 136,718 | 149,258 | 162,736 |
| Prisons | 58,189 | 52,370 | 74,485 | 81,619 | 89,106 | 97,152 |
| Transfers to Local Councils | 190,040 | 191,890 | 241,463 | 264,593 | 288,861 | 314,946 |
| Grants for Admin. Expenses | 7,341 | 7,650 | 7,598 | 8,326 | 9,090 | 9,911 |
| Grants for Devolved Functions | 182,699 | 184,241 | 171,490 | 187,917 | 205,152 | 223,678 |
| o/w Free Education (Primary and JSS) | 71,200 | 81,624 | 91,140 | 99,870 | 109,030 | 118,876 |
| Transfer to TSA Agencies | 99,760 | 114,366 | 127,698 | 139,930 | 152,765 | 166,560 |
| Grants to Educational Institutions | 211,932 | 242,960 | 271,285 | 297,271 | 324,537 | 353,843 |
| Transfer to Road Fund | 128,900 | 385,290 | 456,232 | 522,592 | 597,478 | 661,848 |
| Socially Oriented Outlays /energy subsidy | 154,525 | 177,148 | 197,801 | 216,748 | 236,628 | 257,996 |
| Elections and Democratisation | 69,505 | 79,681 | 88,970 | 97,493 | 106,435 | 116,046 |
| Total Interest Payments | 951,082 | 1,034,561 | 1,155,958 | 1,204,194 | 1,288,686 | 1,380,244 |
| Domestic Interest | 854,000 | 936,681 | 1,056,000 | 1,102,954 | 1,188,487 | 1,270,979 |
| Foreign Interest | 97,082 | 97,879 | 99,958 | 101,240 | 100,199 | 109,265 |
| | | | | | | |
| Development Expenditure & Net Lending | 2,209,677 | 2,037,186 | 2,769,614 | 3,199,673 | 3,623,462 | 4,058,872 |
| | | | | | | |
| Development Expenditure | 2,209,677 | 2,037,186 | 2,769,614 | 3,199,673 | 3,623,462 | 4,058,872 |
| Foreign Loans and Grants | 1,409,000 | 1,136,000 | 1,295,197 | 1,296,415 | 1,289,003 | 1,280,005 |
| Loans | 1,023,000 | 691,799 | 816,812 | 824,045 | 828,959 | 831,804 |
| Grants | 386,000 | 444,201 | 478,385 | 472,370 | 460,044 | 448,200 |
| Domestic | 800,677 | 901,186 | 1,474,416 | 1,903,258 | 2,334,459 | 2,778,868 |
| of which Education projects | 13,150 | 17,301 | 24,215 | 31,258 | 38,340 | 45,639 |
| Net Lending | - | - | - | - | - | - |
| Overall Balance | | | | | | |
| Balance on Commitment Basis Including Grants | (1,909,971) | (977,606) | (1,242,096) | (1,130,821) | (1,119,728) | (1,102,238) |
| Balance on Commitment Basis Excluding Grants | (2,927,733) | (1,830,823) | (2,284,081) | (2,171,782) | (2,151,754) | (2,124,384) |
| Domestic Primary Balance | (1,529,769) | (702,912) | (997,080) | (882,280) | (870,704) | (843,265) |
| Contingency Expenditure | (116,118) | (105,968) | (108,154) | (108,153) | (108,152) | (108,151) |
| Change in Arrears | (11,918) | (8,157) | (53,219) | (53,219) | (53,219) | (53,219) |
| Balance on Cash Basis Including Grants | (2,038,007) | (2,038,007) | (1,403,469) | (1,292,193) | (1,281,099) | (1,263,608) |
| | | | | | | |
| Total Financing | 2,038,007 | 1,091,731 | 1,345,097 | 1,201,833 | 1,170,112 | 1,113,494 |
| Foreign | 685,886 | 225,806 | 623,174 | 612,966 | 587,574 | 566,190 |
| Borrowing | 1,023,000 | 691,799 | 980,174 | 988,854 | 994,751 | 998,165 |
| Project | 1,023,000 | 691,799 | 816,812 | 824,045 | 828,959 | 831,804 |
| Programme | 171,000 | 159,803 | 163,362 | 164,809 | 165,792 | 166,361 |
| External Debt Amortisation | (337,114) | (465,993) | (357,000) | (375,887) | (407,177) | (431,975) |
| Domestic | 1,412,508 | 958,273 | 776,009 | 634,419 | 606,959 | 505,249 |
| Bank | 1,362,508 | 931,060 | 745,989 | 609,877 | 583,479 | 485,703 |
| Central Bank | 701,159 | 668,056 | 348,922 | 285,258 | 272,911 | 227,178 |
| Ways and Means | 120,000 | 128,000 | 62,042 | 45,862 | 49,334 | 53,451 |
| Securities | 47,177 | 55,582 | 286,880 | 239,396 | 223,577 | 173,727 |
| Commercial Banks | 661,348 | 263,004 | 397,067 | 324,619 | 310,568 | 258,525 |
| Non-Bank | 50,000 | 27,213 | 30,019 | 24,542 | 23,480 | 19,545 |
| Other (float) | (60,386) | (92,348) | (54,086) | (45,552) | (24,421) | 42,055 |
| Privatisation & Exceptional Receipts | - | (0) | 0 | 0 | 0 | 0 |
| Unaccounted Financing Gap | - | - | (11) | (272) | (461) | (623) |

**Box 3.1: PPP Energy Projects**

# PPP ONGOING PROJECTS

## SIGNED PPP AGREEMENT

| NO. | SECTOR | PROJECT DESCRITION | CONTRACTING AUTHORITY | ESTIMATED PROJECT COST (US$) | FISCAL INSTRUMENT | VALUE OF INSTRUMENT (US$) | STATUS |
|---|---|---|---|---|---|---|---|
| 1. | ENERGY | **Betmai 25MW Run-of-River Hydroelectric Project**<br>**Private Partner:- SEWA Energy Resources (SL)** Ltd. proposes to develop a 25MW run of river hydro power plant near Magburaka in Sierra Leone. The commercial rationale for and aim of the first phase of the Project is the long-term supply of the plant's output to EDSA and number of mining companies. Power will be transmitted from the plant to the End Users via new private transmission lines that will not be connected to the national transmission grid of Sierra Leone. | Ministry of Energy/EDSA /MoF | 104 million | 6 months Letter of credit backed by Partial Risk Guarantee. | **7.85 million** | • To achieve Financial Close |
| 2 | ENERGY | **COOPERBELT ENERGY CORPORATION(CEC)**<br>**Private Developer- CDC-UK / TCQ SL Ltd**<br>The CEC phase I of the Western Area Power Generation Project is focused on responding to an urgent need of generation capacity in Sierra Leone. The Project comprises the development, financing, construction and operation by the CEC Africa of a green-field thermal power plant running on Heavy Fuel Oil (HFO) on a build-own-operate-transfer (BOOT) basis.. | Ministry of Energy/EDSA /MoF | 138 million | 6 month Partial Risk Guarantees | **15.5 million** | • To achieve Financial close<br>• Project Developers are dealing with Regulatory issues |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 3 | ENERGY | **BUMBUNA Phase II Hydro Project**<br>This expansion of Bumbuna, called Bumbuna II, will be located on the Upper Seli River in the northeast part of the country. It will be built by Joule Africa and Energy Services Company (ESCO) through joint ownership of the newly formed Seli Hydropower. Seli Hydropower will also own and operate Bumbuna II.<br>Project capacity is 160MW for which the developer has completed feasibility studies and negotiations now ongoing. PPA already endorsed for developer to market financiers | Ministry of Energy/EDSA /MoF | 780 million | Minimum of 3 months Letter of credit backed by PRG from IDA/WB | **Minimum Letter of credit circa 19.3 million** | • To achieve financial close<br>• Project is considering a concessional loan arrangement to bring the tariff down.<br>The Concessional Loan Obligation circa 250 million |
| 4 | | **50MW Solar Energy**<br>**Private Partner:- Planet Solar(SL) Ltd subsidiary to Planetcore Group**<br>• This project was conceived on a competitive basis. Under the auspices of the Minister of Energy procurement of private partner on a tariff based bidding process for the construction of Solar PV power stations at Makarie and various locations was awarded to Planet Solar SL. Limited. **Location:** Phase 1 – 25 MW – on-grid to be deployed at Makarie and Phase II 25-offgrid to be deployed in various locations( Kono, Kabala, Mile 91, Kambia, Bo, Moyamba, Pujehun, Port Loko) | Ministry of Energy/EDSA /MoF | 109.13 million | 6 months letter of credit to be provided by the Offtaker and letter of support. Project required MIGA | **Phase 1 –LC 2.47 million**<br><br>**Phase II – 3.4 million** | • to achieve financial close<br>• Ministry of Finance to provide Letter of support |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 5 | Energy | **5MW PV Solar – Bo Solar Era**<br>The project is intended to be split into 3 sub-projects: 5MW PV solar farm for Bo town, 0.9MW PV solar farm with batteries for N'jala University and 0.9MW solar farm with batteries for Fourah Bay College University. A realistic size project of 5MW **(approx. 650,000 kWh of electrical energy every month)** that could be quickly delivered and adequately serve the Bo community, based on a build, operate and transfer (BOT) basis; | Ministry of Energy/EDSA /MoF | 10 million | 12 months LC | **1.6 million** | • To achieve financial close<br>• PPA was signed 4 yrs ago. Project to be renegotiated including the tariff. |
| | | | | | | | |
| 6. | **TRANSPORT** | **Transshipment Project**<br>Tidfore conglomerate plans to build the Country's first transshipment port to create a shipping hub for South American vessels. The company wants to capitalize on the proximity by developing port that can shift freight on to huge vessels capable of carrying up to 18,000 20-foot containers. This project is expected to be delivered on a BOT basis | Ministry of Transport & Aviation | 708 million | Sinosure Insurance, Development costs | **Contingent Liability – MoF is the Guarantor to the Loan Obligation of 659 million** | • achieving financial close<br>• Project is under review by the Fiscal Risk |
| 7 | | **Toll Road- Rehabilitation and Widening of the Wellington- Masiaka Road to four lane on** a Finance, Design, Construction, Operation and Maintenance Basis.<br>This project is being in operated and the 25 years Concession agreement signed with China Railway Seventh Group(CRSG) | Ministry of works, housing & infrastructure and Sierra Leone Roads Authority (SLRA) | 163 million | No fiscal instrument is required | **No guarantee or support to the agreement as provided under section 2.1.1 under the Concession Agreement** | Construction on going expected to complete within the 15 months from the effective date and toll is in operation |