



GOVERNMENT OF SIERRA LEONE

CITIZENS' BUDGET - 2016

SIMPLIFIED VERSION OF FINANCIAL YEAR 2016 GOVERNMENT BUDGET



**End of Ebola
Declaration**



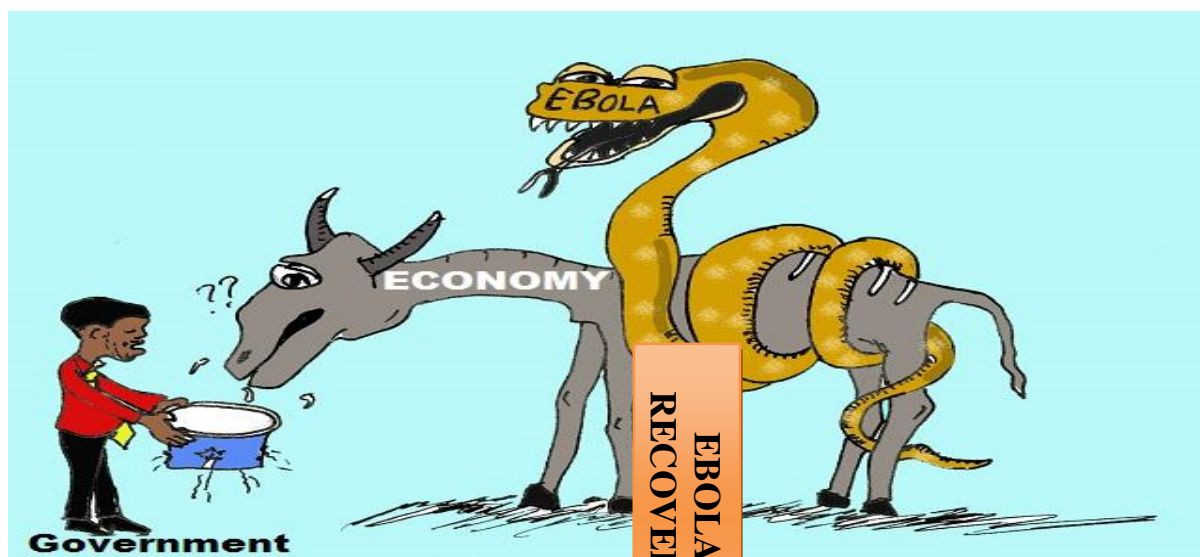
NGOs/CSOs



WATER WELL



**NON-STATE ACTORS COORDINATION UNIT (NSA)
MINISTRY OF FINANCE AND ECONOMIC DEVELOPMENT (MOFED)
6TH FLOOR, MINISTERIAL BUILDING, GEORGE STREET, FREETOWN**



MEDIUM TERM ECONOMIC OUTLOOK, 2015-2018

Indicator	FY 2015	FY 2016	FY 2017	FY 2018
GDP(Excluding Iron Ore)	1.0%	1.3%	4.0%	5.1%
GDP(Including Iron Ore)	-21.5%	0.1%	19.6%	17.5%
Domestic Revenues	9.8%	10.4%	10.7%	11.1%
Total Expenditure and Net Lending (% of GDP)	20.0%	19.0%	17.3%	17.7%
Budget Deficit including grants (% of GDP)	4.5%	5.2%	3.3%	3.3%
Inflation	9.9	9.5%	9.5%	8.5%

ACRONYMS

AfDB	African Development Bank
ASYCUDA	Automated System for Customs Data
BLB	Borrowers and Lenders Bill
BSL	Bank of Sierra Leone
CIB	Collective Investment Bill
CRF	Consolidated Revenue Fund
DHMT	District Health Management Team
DSA	Debt Sustainability Analysis
EBID	ECOWAS Bank for International Development
EC	European Commission
ECF	Extended Credit Facility
ECOWAS	Economic Community of West African States
EITI	Extractive Industry Transparency Initiative
EPRU	Economic Policy Research Unit
EU	European Union
EVD	Ebola Virus Disease
FAO	Food and Agriculture Organization
FSDP	Financial Sector Development Programme
FY	Financial Year
GDP	Gross Domestic Product
IDB	Islamic Development Bank
IFAD	International Fund for Agricultural Development
IFMIS	Integrated Financial Management Information System
IMF	International Monetary Fund
INGOs	International Non Governmental Organizations
JICA	Japan International Cooperation Agency
LGFD	Local Government Finance Department
LTAs	Local Technical Assistants

MDGs	Millennium Development Goals
MOFED	Ministry of Finance and Economic Development
MTEF	Medium Term Expenditure Framework
NaCSA	National Commission for Social Action
NCP	National Commission for Privatization
NER	National Ebola Recovery
NERS	National Ebola Recovery Strategy
NMA	National Minerals Agency
NPAA	National Protected Area Authority
NSA	Non State Actor
OMO	Open Market Operations
PFM	Public Financial Management
PRECON	European Fish Certification Project
PFMICP	Public Financial Management Improvement and Consolidation Project
REDD+	Reducing Emissions from Deforestation and Degradation
SDGs	Sustainable Development Goals
SEB	Security and Exchange Bill
SLERF	Sierra Leone Ebola Recovery Fund
SMEs	Small and Medium Enterprises
TSA	Treasury Single Account
UK	United Kingdom
UK-DFID	United Kingdom Department for International Development
UN	United Nations
UNIDO	United Nations Industrial Development Organization
WB	World Bank

Government is committed to remaining open to public scrutiny and participation in the formulation and implementation of national development policies. A key medium of openness in the conduct of Government business has been the annual publication of Citizens' Budget Guide. This Guide is a simplified version of the National Budget that enables the public to easily understand what is contained in the Government's revenue and expenditure plans approved by the Parliament. By this, the public has been able to easily track the implementation of planned national expenditures and demand accountability for results, accordingly. The Guide has been an instrument for strengthening public trust in Government, and building confidence in state institutions.

The Ministry of Finance and Economic Development, has again published the Citizens' Budget Guide for the 2016 National Budget, themed "Strengthening Resilience and Building a Diversified Economy," following the end of the Ebola epidemic. This Budget is a defining one, as the public looks forward to ensuring that spending decisions will be effective in maintaining zero Ebola infections and returning the economy back to normalcy. This Budget coincides with the introduction of a new and more promising international development Agenda, the Sustainable Development Goals (SDGs), to succeed the Millennium Development Goals. As a first step, Government has aligned the 2016 National Budget with the SDGs.

We have published a simplified version of the SDGs to show what these Goals are and what our citizens stand to gain especially with their participation in the delivery process. We have aligned each SDG with public spending areas in the 2016 National Budget; and begun identifying Sierra Leone specific SDGs indicators that all citizens will monitor.

In this regard, light is in sight despite the Ebola setback since May 2014, coupled with the crisis in the iron ore mining sub-sector. We are hopeful that the 2016 National Budget will lead to economic recovery as we encourage all to continue to hold us accountable in delivering the promising fruits on the horizon.

Signed,

KAIFALA MARAH (Dr)

Minister of Finance and Economic Development

ACKNOWLEDGEMENT

This 2016 Citizens' Budget was put together by the Non - State Actors Technical Working Group through the Non-State Actors Coordination Unit (NSA) of the Ministry of Finance and Economic Development (MOFED). The framework and template was designed by key professional staff of the Local Government Finance Department (LGFD), Project Management Unit -PFMICP, Economic Policy and Research Unit (EPRU) and Budget Bureau, who also coordinated the overall editing of the final copy.

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Special thanks go to the Honorable Minister of Finance and Economic Development for facilitating and providing quality assurance to the work.

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1.0 INTRODUCTION

Governments should be accountable to their citizens for what they do and how they do it. Accountability means that, in part, the policies, programmes and plans, through the budget process that a Government develops should reflect the priorities and needs of the people. It also means that Government should provide an account of what it has done to implement those policies and plans together with the results of its efforts. Citizens for their part have a responsibility to hold their Government to account. They should participate in public life, vote for people they believe in, monitor the Government's actions, comment on its policies and plans, and challenge it when things go unexpected.

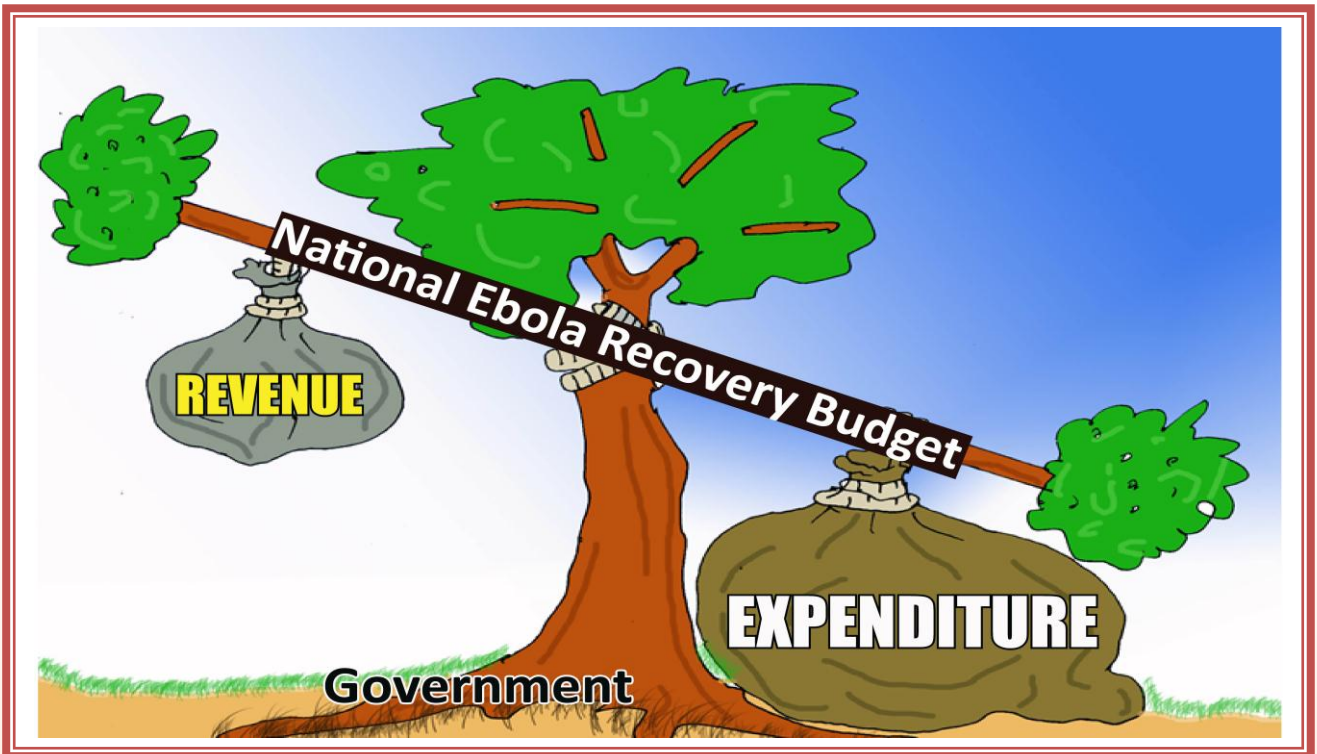
To enhance effective citizens' participation in governance issues and holding government to account, a first step requires Government creating the enabling conditions for citizens' participation like access to information and the simplification of "difficult to understand" nation documents (eg National Budget) for the use of the general public. It is based on this that the Ministry of Finance and Economic Development through the Non-State Actors Coordination Unit is issuing out the Citizens' Guide to the 2016 National Budget.

This document highlights the most important points of the 2016 National Budget in a more simplified way meant to increase citizens' knowledge on Government's expected revenues, spending plans and policies for the 2016 Financial Year (FY).

"Strengthening Resilience and Building a Diversified Economy" is the theme of the FY 2016 budget. This theme is geared towards achieving the three elements of the National Ebola Recovery Strategy (NERS) namely: getting to and staying at zero Ebola new cases; implementing immediate Ebola recovery priorities; and transitioning back to our national development plan - the Agenda for Prosperity (2013 - 2018).

Considering the low prices of iron ore in the international market, the FY 2016 approved budget, which is largely driven by the National Ebola Recovery Strategy (NERS) was projected at **Le2.56 trillion or 10.4 % of GDP**. Of this, **total** grant accounted for about **24 %**. The proposed expenditures priorities and allocations stood at **Le4.65 trillion or 18.9 % of GDP**, of which recurrent expenditures accounted for about **67.3 % or 12.7 % of GDP**. Total statutory expenditures, which comprise Road Maintenance Fund Administration, Transfers to Local Councils, Grants to tertiary institutions plus tuition fees and subsidies and rebate to the National Revenue Authority amounted to **Le433.9 billion**.

Discretionary expenditures (non-salary, non-interest recurrent and domestic and foreign capital expenditures) are largely linked to the Eight (8) pillars in the Agenda for Prosperity.



This Citizens' Budget for FY 2016, which is a simplified version of the FY 2016 Government Budget is divided into nine sections. Followed by this introductory section, section two explains some basic facts about a Citizens' Budget including why a Government should produce a Citizens' Budget. Section three provides details of domestic and international response to the Ebola epidemic while section four focuses on the National Ebola Recovery Strategy (NERS) including Government's position on donor pledges to the NERS implementation. Section five discusses the Sustainable Development Goals and their links to the Agenda for Prosperity. Section six explains Government's policies (economic outlook and medium term policies) for the MTEF period 2016-2018. Section seven gives specific details of the FY 2016 budget including revenue proposals, expenditure priorities and allocations for 2016. Section eight outlines the risk to 2016 budget implementation and execution while section nine which is the final section is concerned with the conclusion of this work.

2.0 A CITIZENS' BUDGET - SOME BASICS

2.1 What is a Citizens' Budget?

For the purposes of this guide, a Citizens' Budget is one that:

- ✚ is produced by Government in consultation with citizens;
- ✚ enables public understanding and ownership of the budget;
- ✚ serves as a “door” to more information about the budget;
- ✚ includes significant information about the budget;
- ✚ is produced in at least the official languages of the country; and
- ✚ is disseminated widely, preferably in multiple formats

- ✚ A Citizens' Budget can also serve as a tool for civic education.
- ✚ It explains how the budget is prepared and passed into law for implementation.
- ✚ Through a Citizens' Budget a citizen can understand which level of Government (national or local) is responsible for performing different governmental functions and providing services.

What is a National Budget ?

Not later than two months before the beginning of every financial year, the Minister of Finance and Economic Development announces the Government's spending and tax plans for the next three years. This is called the national budget. It describes how government will raise money and how it will be spent.

2.2 Importance of a Citizens' Budget

The citizens are the primary beneficiaries of a Citizens' Budget. The purpose of a Citizens' Budget is to increase citizens' knowledge of what the Government does or is planning to do and to enhance citizens' capacity to participate in the entire budget process.

However, Government also benefit from a Citizens' Budget. A Citizens' Budget can be a way for a Government to demonstrate that it holds itself accountable to the public. Most people know very well that the budget is central to the functioning of the Government, and that the budget is also key to their own well-being. Thus, a demonstrable effort by the Government to explain crucial fiscal policy information and budget decisions in a form that is more readily understandable to ordinary people can greatly enhance the Government's legitimacy in the eyes of the public.

2.3 Why should a Government produce a Citizens' Budget?

The Government's money is the people's money. The Government's revenue comes from the people through the taxes (income, sales, or property) and fees they pay. It comes from exploiting natural resources that are part of the nation's wealth which belongs to the people. Even when revenue comes from loans, it is the people that will have to repay them in the end.

Making the budget publicly available is one way for Government to be accountable to its people. Another is through publishing financial reports that explain how public funds have been spent. The challenge is that budget information is full of technical terms most ordinary people cannot understand. If citizens cannot understand what is presented to them, they cannot ask questions or hold Government to account.



3.0 DOMESTIC AND INTERNATIONAL RESPONSE TO THE EBOLA EPIDEMIC

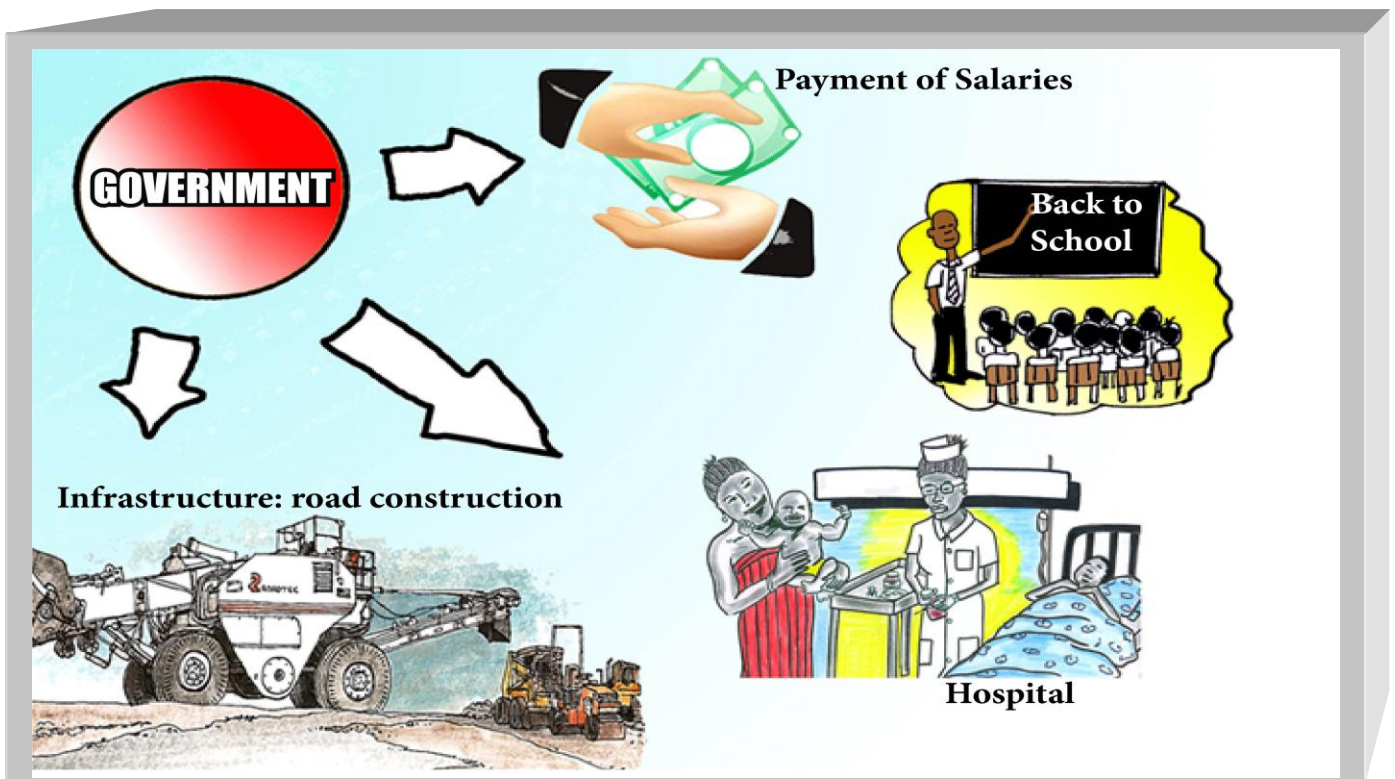
Impact of Ebola...



3.1 Domestic actions to reduce the impact of Ebola

Government undertook several actions and measures to reduce the impact of Ebola on Sierra Leoneans.

1. Government continued the timely payment of salaries to all public sector workers, including a 15 % pay rise implemented in July 2015.
2. Government provided money to facilitate the re-opening of schools in April 2015.
3. Le 9.5 billion was spent to disinfect all public schools and provide basic sanitary facilities;
4. Le19.3 billion for an expanded school fees subsidy programme for about one million pupils in Government and Government assisted primary and senior secondary schools;
5. Government provided Le13.8 billion as advance payment for the procurement of teaching and learning materials and text books for all schools.
6. Le85 billion was provided under the Road Maintenance Fund Administration to finance new projects, including: (i) rehabilitation of Weima Bridge and improvement of 40 km of feeder roads; (ii) rehabilitation and maintenance of rural feeder and township roads in all 19 Local Councils; (iii) rehabilitation of Kissy Road, Fourah Bay Road, Mountain Cut and Macauley Street; and (iv) overlay of 14.4km of selected streets in Freetown.
7. Government provided human and logistics support in the form of doctors, medicine and treatment centres that significantly reduced the spread of Ebola and cushion its impact on Sierra Leoneans



8. Cash transfer was made to over 23,000 extremely poor and vulnerable households under the regular Social Safety Nets Programme implemented by NaCSA supported by the World Bank and other donor partners
9. Local Councils were allowed to re-programme grants for devolved functions to respond to the fight against EVD. Key interventions include: supply of chlorine, buckets, sanitary items and disinfectants to health facilities; training of District Health Management Teams (DHMTs) on Ebola care and prevention; intensive awareness raising and sensitization campaigns in schools, markets, religious places and other public gatherings; door-to door social mobilization etc
10. 12,300 HIV patients received treatment; 2,500 EVD survivors received free health care treatment; 9,000 schools participated in the accelerated learning programme; school fees have been waived for about 1.1 million children across the country; 69,000 farmers received seedlings; 1,200km of feeder roads constructed; 68 Financial Services Associations and Community Banks recapitalized; and 31,600 vulnerable households received income support

3.2 International support to mitigate Ebola impact on the budget

1. Donors (the IMF, World Bank, AfDB, EC and UK–DFID, also scaled up support to mitigate the impact of Ebola on the budget
2. The IMF provided additional financial support of US\$72.9 million through augmentation of access under the Extended Credit Facility (ECF) programme to cover the budgetary and balance of payments financing gaps, as well as improve the foreign exchange reserves position
3. The IMF also provided a debt relief grant under the Catastrophic Containment and Relief Trust amounting to US\$29.2 million to create additional fiscal space

4.0 NATIONAL EBOLA RECOVERY STRATEGY (NERS)

- ✚ The aim of the National Ebola Recovery Strategy (NERS) is to put the economy back on the track of growth and macroeconomic stability
- ✚ The NERS focuses on three (3) key elements: (i) getting to and staying at zero new Ebola cases; (ii) implementing immediate Ebola recovery priorities; and (iii) moving back to our national development plan - the Agenda for Prosperity (A4P), 2013-18.
- ✚ The National Ebola Recovery (NER) implementation strategy is divided into two phases.

The immediate recovery phase (6-9 months), which focuses on getting to zero infection rates, the re-opening of schools, providing social protection support to the vulnerable such as Ebola survivors, orphans, widows and widowers as well as private sector development

The medium term recovery (10-24 months), which focuses on maintaining a resilient zero, education, energy, water supply, social protection, and private sector development in line with the Presidential priorities for the recovery of the economy

- ✚ Pledges were made by our donor partners, some old commitments estimated at US\$867 million to support the implementation of the NERS.

The World Bank, the African Development Bank (AfDB) and the European Union (EU) pledged resources based on their on-going projects and interventions in the country

The Islamic Development Bank (IDB) also pledged support to infrastructure and other sectors for ongoing and pipeline projects including the Pendembu-Kailahun road, and the planned Kambia-Kamakwei road

- ✚ The United Kingdom (UK) announced a two-year new package of £240 million to support the NERS as follows:

boosting capability to respond to future Ebola outbreaks

generating sustained economic growth through investment in the private sector, which will create jobs and open up markets for UK businesses

improving basic services such as healthcare and creating opportunities for girls and women

improving governance including the capacity of the public sector to deliver services and to increase transparency and accountability

- ✚ The AfDB has committed US\$40 million through an Ebola Recovery Social Investment Fund, targeting communities in the three Ebola affected countries of Guinea, Liberia and Sierra Leone to provide selected basic social services, restoration of livelihood and economic opportunities. Sierra Leone will receive about US\$13 million from this Fund.
- ✚ The Government in collaboration with the UN will establish Ebola Recovery Fund (SLERF) to encourage development partners to pool resources, as well as, allow Government to allocate resources to national priorities. This is a requirement for accessing resources estimated at US\$85 million pledged by Japan, Belgium, Azerbaijan, China, Ireland, Netherlands, Republic of Korea, Russia, Spain and Turkey.

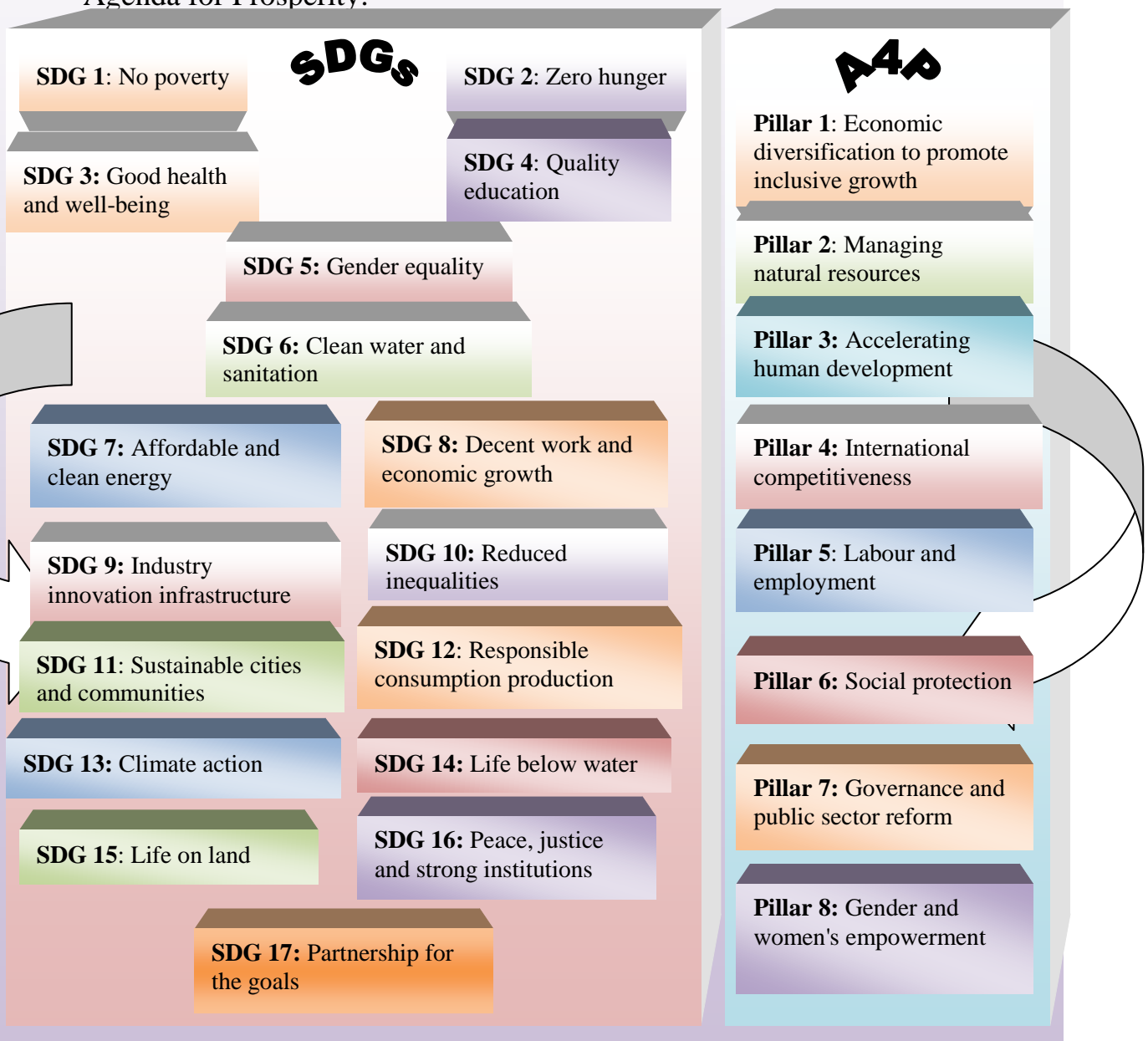
The Government position on donor pledges to the NERS Implementation

- ✚ Most of the pledges made at the International Ebola Conference to support implementation of the NERS will not pass through the Government systems. The pledges will pass mainly through UN agencies and international Non-Governmental Organizations (INGOs) as was the case during the response phase of the Ebola outbreak.



5.0 SUSTAINABLE DEVELOPMENT GOALS (SDGs), AND THE AGENDA FOR PROSPERITY (A4P)

- ✚ The SDGs are 17 global goals with 169 targets set to be achieved by 2030 starting January 1, 2016.
- ✚ The SDGs seek to build on the Millennium Development Goals (MDGs) especially on what was not achieved in the last 15 years.
- ✚ The SDGs reflect the economic, social and environmental aspects of sustainable development until 2030 which is close to Sierra Leone's target date of becoming a Middle Income Country.
- ✚ Whilst countries are urged to immediately begin harmonizing the SDGs with regional, sub-regional and national plans, Sierra Leone's Agenda for Prosperity is already largely aligned with the SDGs.
- ✚ To this end, Sierra Leone has developed a simplified version of the SDGs illustrating the linkage between the 17 SDGs and the eight pillars of the Agenda for Prosperity.



6.0 POLICIES FOR 2016-2018

6.1 Economic Outlook, 2016 - 2018

With the continuing uncertainty in the iron ore sector, the possibility that the external environment might turn even less favourable, the short-term economic outlook will remain on the downside as shown below.

Indicator	FY 2016	FY 2017	FY 2018
GDP(Excluding Iron Ore)	1.3%	4.0%	5.1%
GDP GDP(Including Iron Ore)	0.1%	19.6%	17.5%
Domestic Revenues	10.4%	10.7%	11.1%
Total Expenditure and Net Lending (% of GDP)	19.0%	17.3%	17.7%
Budget Deficit including grants (% of GDP)	5.2%	3.3%	3.3%
Inflation	9.5%	9.5%	8.5%

6.2 Policy Reforms, Achievement and Plans for 2016

- ✚ Progress in policy reforms including critical reforms to be implemented by Government are outlined below.

Public Financial Management Reforms

- ✚ The final draft of the 2015 Public Financial Management (PFM) Bill, replacing the Government Budgeting and Accountability Act 2005 has been gazetted and submitted to Parliament.
- ✚ The establishment of the Treasury Single Account (TSA) is also far advanced and expected to start full operation in **2016**. The TSA will ensure that Government tracks all revenues and payments to give a **consolidated** view of Government cash position.
- ✚ The number of MDAs processing transactions without any delay using the Integrated Financial Management Information Systems (IFMIS) will be increased from 22 in 2015 to 35 in 2016.

- ✦ Two Local Councils will pilot processing transactions without delay using the Petra Financial Package currently used for recording and reporting financial transactions to improve financial management and accountability in Local Councils.
- ✦ To enhance participation in budget planning, Non-State Actors and development partners jointly participated in discussions on the 2016 budget. To strengthen the process, each MDA provided five measurable targets in their 2016-18 strategic plans on which performance will be assessed, and to be held accountable by oversight bodies, including the House of Parliament, our development partners and Non-State Actors.
- ✦ Sierra Leone performance in the Open Budget Survey has increased greatly over the years. The country scored 39 out of 100 in 2012; 52 out of 100 in 2015 higher than the global average of 45 and better than Ghana and Liberia
- ✦ The survey report also confirmed that Budget oversight by Audit Service Sierra Leone is adequate, for which Sierra Leone scored 67 %.
- ✦ Functional Internal Audit Units have been established in forty (40) MDAs and all 19 Local Councils.
- ✦ An Internal Audit Manual for Local Councils has been completed while the existing Internal Audit Manual for Central Government has been reviewed.
- ✦ An Internal Audit Bill has also been drafted to strengthen the mandate of internal audit.

Financial Sector Reforms

- ✦ BSL, in collaboration with MOFED and NCP has put in place a resolution mechanism for the adversely affected banks. This will strengthen BSL supervisory role by moving into risk-based supervision, strengthening the capacity of staff to undertake stress tests of the banking sector
- ✦ BSL is in an advanced stage in piloting the Borrowers and Lenders Bill (BLB); the Security and Exchange Bill (SEB); and the Collective Investment Bill (CIB) for Exchange enactment by Parliament
- ✦ BSL, together with MTI and donors, is working out a funding mechanism targeting SMEs involved in production, marketing and agro-based industrial activities.
- ✦ BSL in collaboration with the Sierra Leone Association of Commercial Banks, with support from the World Bank under the Financial Sector Development Programme (FSDP), is currently pursuing the establishment of a National Switch.

Public Sector Reforms

Government has made significant progress in public sector reforms especially the World Bank-funded Pay and Performance Project. The progress has been largely linked to the following

- ✚ Filling about 805 priority vacancies in the Civil Service
- ✚ Mainstreaming of Local Technical Assistants (LTAs) who are serving in key positions in the Civil Service
- ✚ Designing and administering of Performance Management Contracts for civil servants from grade 11 and above by the Cabinet Secretary.

6.3 Macroeconomic Policies for 2016

Government will implement a mix of fiscal, monetary, exchange rate and debt policies to achieve the 2016 macroeconomic objectives as described below.

Fiscal Policy

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

Monetary Policy

- ✚ The primary objective of monetary policy is to achieve and maintain a low and stable inflation environment conducive to high and sustainable economic growth. In essence, BSL is to deliver inflation at the targeted level of 9.5 % at the end of 2016
- ✚ This will be done through indirect instruments such as Open Market Operations (OMO) designed to strengthen and enhance the efficiency of the inter-bank money market.

Exchange Rate Policy

The exchange rate will continue to be market determined. At the same time Bank of Sierra Leone will be providing weekly reasonable amount of foreign exchange through the foreign exchange auction for key importers of necessary commodities (such as food and fuel) to ease the pressure on the exchange rate

Public Debt Policy

- ✚ The overall public debt management strategy aims to minimize costs and risks on the debt portfolio. The 2015 Debt Sustainability Analysis (DSA) shows that our external debt remains sustainable in the medium- to- long term with a moderate risk of debt distress.
The debt instruments used by Government over the years will not be attractive anymore because of the changing global financial environment characterized by the sustained decline in global interest rates
- ✚ As such, Government will now embark on innovative sources of financing including mobilization of non-traditional resources to finance development programmes.
- ✚ Furthermore, Government will also support the development of the domestic capital market to raise additional sources to complement external resource inflows
- ✚ Government is in arrears of its contributions and subscriptions to International Organizations (like WB, AfDB, IDB, IFAD, Commonwealth Foundation, UNIDO and FAO) to the tune of US\$48.9 million.
- ✚ Going forward, to offset the arrears as they fall due, Government will negotiate repayment plans with the said organizations to clear arrears while meeting the current obligations with the WB, AfDB, IDB, IFAD, Commonwealth Foundation
- ✚ To strengthen our voice and participation, Government has increased its share-holding in some international organizations including AfDB, WB, and ECOWAS Bank for International Development (EBID) and have also acquired shares in the newly established Africa 50 Infrastructure Fund.

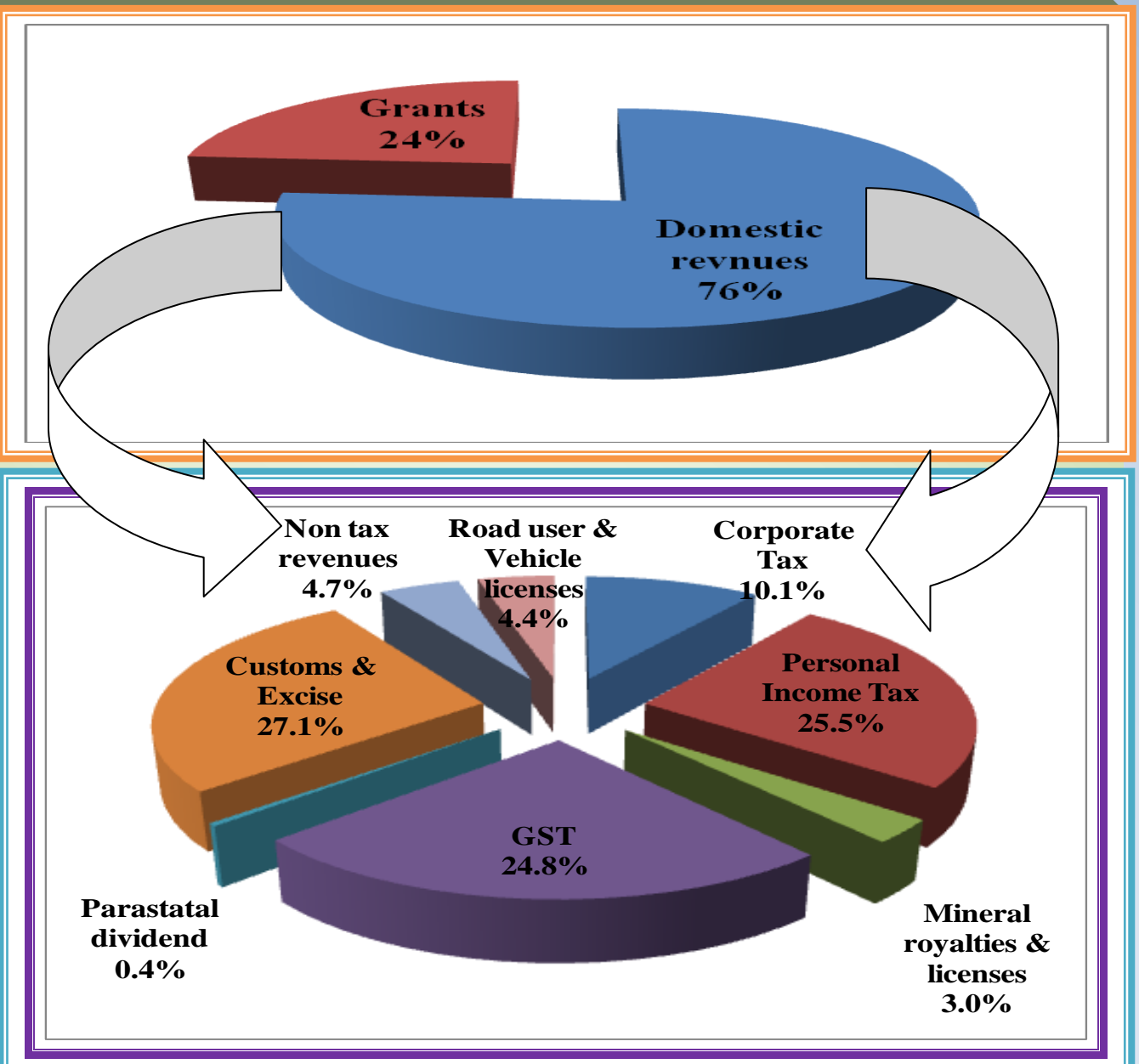
7.0 2016 BUDGET

7.1 Theme of the 2016 Budget

Strengthening Resilience and Building a Diversified Economy

7.2 Projected Revenues

- Despite uncertainties in the iron ore sector, domestic revenue is projected at Le2.56 trillion or 10.4 % of GDP in 2016.
- Total grants for 2016 are expected to amount to Le798.1 billion. Contributions to total revenues and what constitutes domestic revenues are shown in the figures below



✚ Details of the numbers that constitute domestic revenues are shown in the table below

Revenue items	Projected revenues (in billion Leones)	Percent (%) of GDP
Domestic Revenues	2,561.0	10.4
Corporate taxes	259.0	1.1
Personal Income Tax	653.0	2.7
Mineral Royalties & Licenses	76.4	0.3
GST	635.2	2.6
o/w Domestic GST	269.9	1.1
Import GST	365.1	1.5
Parastatals Dividend	10.0	0.0
Customs & Excise	694.6	2.8
o/w Import Duties	370	1.5
Excise duty on Petroleum Products	303.6	1.2
Other Excise Duties	19.9	0.1
Non Tax Revenues	119.3	0.5
o/w Fisheries Royalties & Licenses	43.6	0.2
Road User & Vehicle Licenses	113.5	0.5
Grants	798.1	3.2
Budget Support	418.0	1.7
Project Grants	380.0	1.5

7.3 Revenue Proposals for 2016

2016 Finance Bill if timely enacted by Parliament will introduce the following tax measures in 2016.

- ✚ MDAs are now required to make provision for import duty in their budget for all contracts that are subject to taxes.
- ✚ As required by law, all duty and tax waivers and exemptions, including waivers for petroleum products, will require the prior approval of Parliament.
- ✚ Duty concessions to NGOs, tourism sector and road construction companies will be strictly reviewed.
- ✚ The top PAYE marginal tax rate will increase by 5% from 30 % to 35 % to make the tax system more progressive. This will affect only those earning monthly incomes of above Le2.0 million
- ✚ Government will apply the existing commercial fuel price regime to the retail pump price to minimize loss of Government revenues while removing distortions in the domestic petroleum market. As of October 2015, total revenue loss from the retail pricing formula amounts to about Le113.1 billion
- ✚ To protect the vulnerable from any likely increases in the prices of petroleum products, Government will utilize additional revenues from petroleum products to invest not only in infrastructure, but also in social projects such as the National Youth Service, social housing and procure more buses for public transportation, including for school children.

2016 Finance Bill will also include other tax measures as follows:

- ✚ raise withholding tax on management and technical fees from 10% to 15%;
- ✚ introduce a national health insurance levy of 0.5 % on the value of all contracts in support of the proposed National Health Insurance Scheme;
- ✚ increase the non-taxable threshold for personal allowances from Le220,000 to Le400,000.

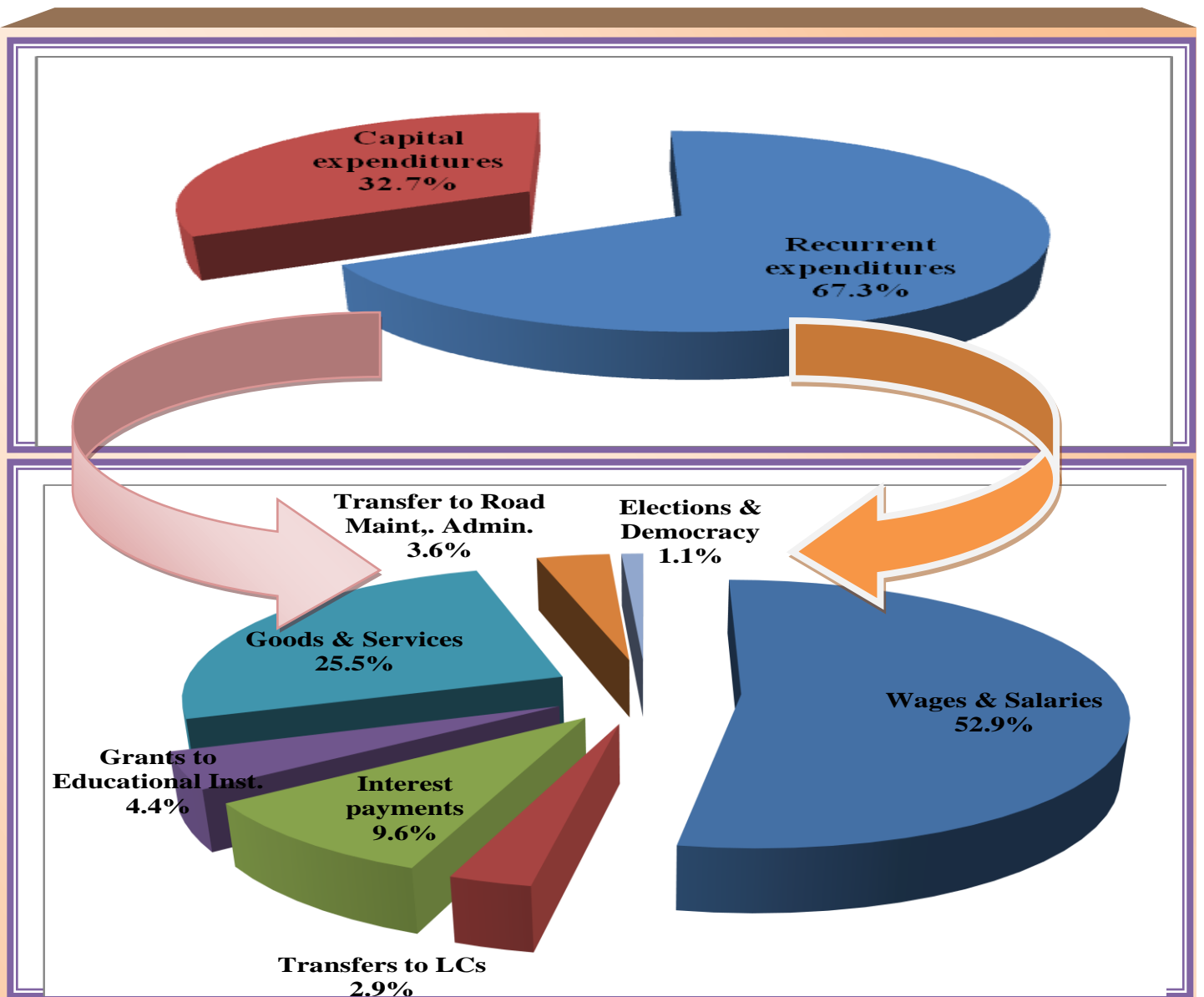
The NRA will continue to strengthen the implementation of tax measures to reduce fraud and tax evasion in 2016. The actions include the following:

- ✚ build capacity for specialized revenue audits, especially in the mining, financial and telecommunications sectors;
- ✚ implement the Small Tax Payer Preparer Scheme to add flexibility in compliance management of the hard –to-tax sector, example, the informal sector (SMEs);
- ✚ develop and implement a revenue accounting and reconciliation system for effective reconciliation with transit accounts in the commercial banks and the Central Bank; and
- ✚ expand on current automation drive of tax administration, including the introduction of an integrated tax administration system and migration from ASYCUDA++ to advanced customized management systems for customs operations.

7.4 Expenditure priorities and allocations for 2016

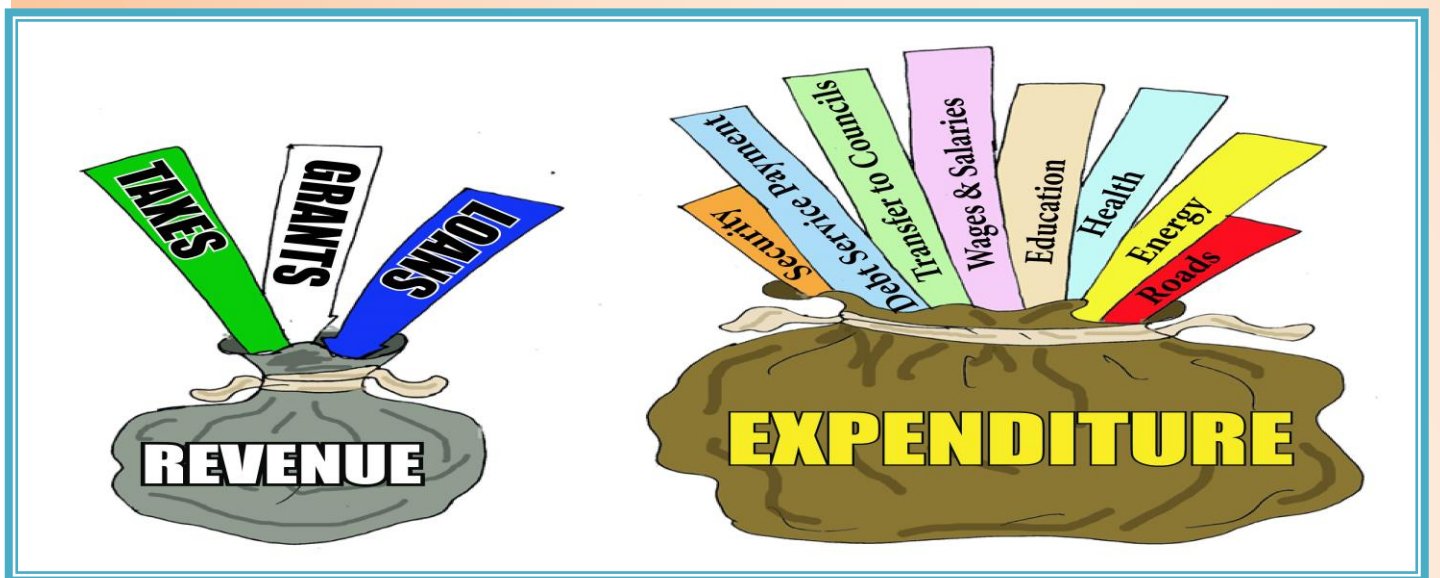
- ✚ Expenditure allocations for the Financial Year 2016 are in accordance with the priorities identified in the National Ebola Recovery Strategy anchored on the Agenda for Prosperity which is largely aligned with the Sustainable Development Goals (SDGs).
- ✚ Total expenditures are projected at Le4.65 trillion or 18.9 % of GDP. Details of key expenditure priorities are shown in the table below

Expenditure items	Proposed expenditures (billion Leones)	Percent (%) of GDP
Total expenditures	4,638.8	18.9
Recurrent expenditures	3,121.4	12.7
Wages and Salaries	1,650.7	6.7
Interest Payments	299.6	1.2
Capital expenditures	1,517.4	6.2
Statutory Transfers	433.9	1.8
Road Maintenance Fund Administration	113.5	0.5
Transfers to Local Councils	91.8	0.4
Grants to tertiary educational institutions	137.1	0.6



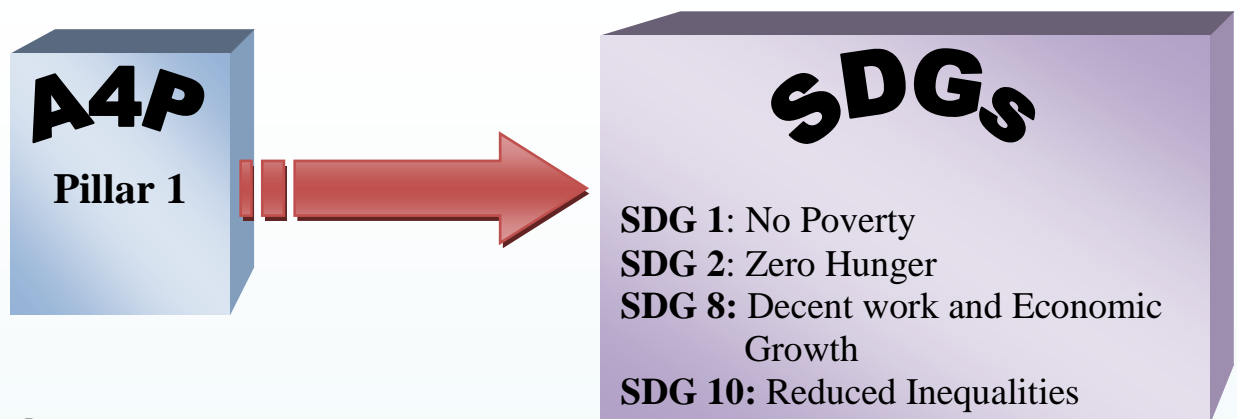
Salaries have been increased for certain staff as follows:

- ✚ The Judiciary and Ministry of Justice
- ✚ Core staff of local councils
- ✚ Salary arrears to Mines Monitors.
- ✚ Mayors and Chairpersons plus councilors sitting fees and allowances



7.5 Discretionary Expenditures by Pillars in the Agenda for Prosperity (A4P)

Pillar 1: Economic Diversification to promote inclusive Growth: Agriculture, Fisheries and Tourism



Agriculture

Government will support the attainment of the following objectives:

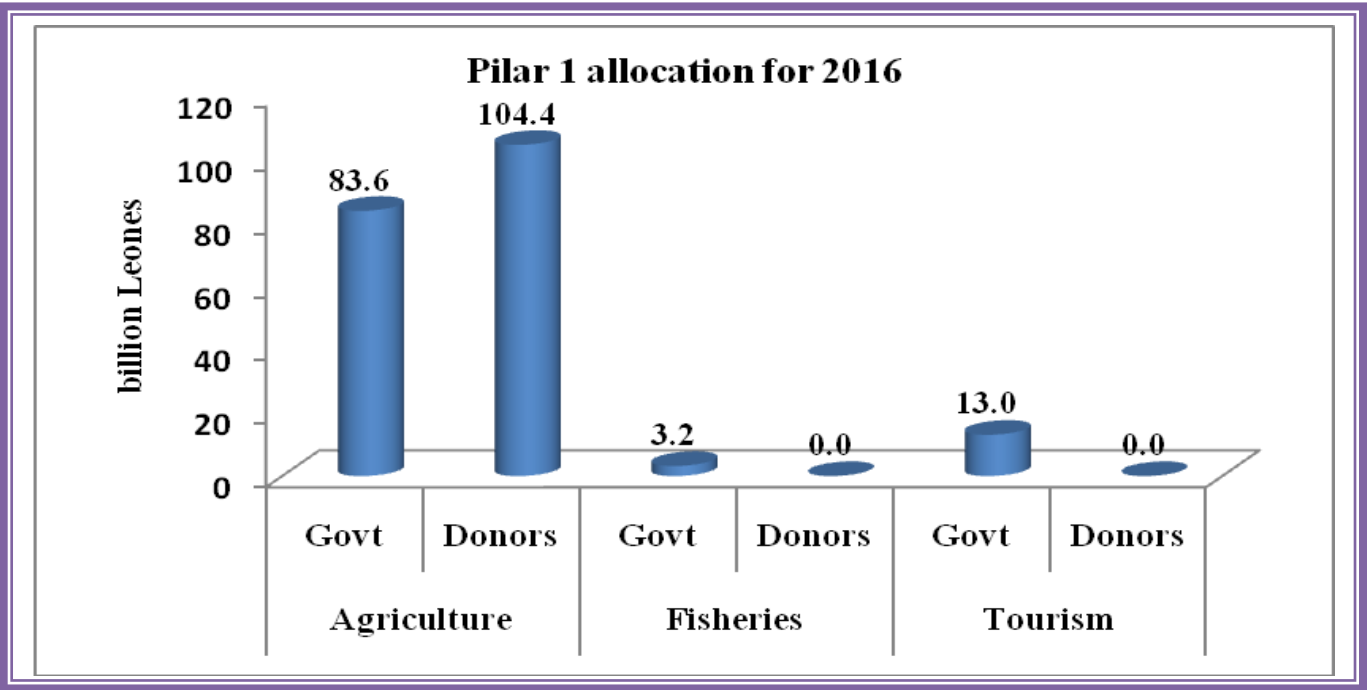
1. increase agricultural productivity and production through procurement and distribution of large quantity/quality of subsidized fertilizers, rehabilitation of 1,000 hectares of Inland Valley Swamps country-wide; and supply of high yielding varieties of planting materials
2. support the transformation of Agricultural Business Centres (ABCs) to promote value-addition and reduction in post-harvest losses
3. Agri-business financing along the agricultural value-chain through the Financial Services Associations and Community Banks; and create markets for farmers through institutional feeding for our armed forces.
4. Donors (IFAD, WB, EU, IDB, JICA) will also support the procurement of agricultural inputs; rehabilitation of 1,000 hectares of IVS; establishment of 13 Veterinary Clinics to vaccinate 400,000 and treat 100,000 animals; raise and distribute 1.3 million tree crop and forest tree seedlings; and improve access to rural finance, including recapitalizing the APEX Bank.

Fisheries

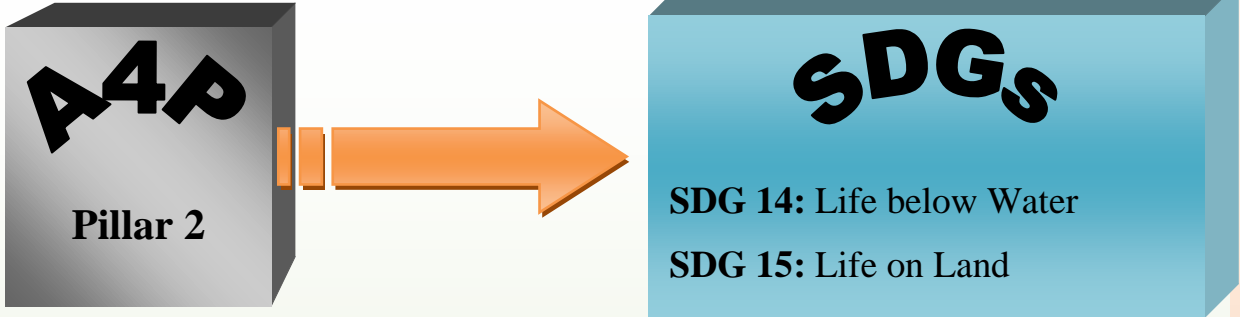
1. Government will support artisanal and inland fisheries as well as the European Fish Certification Project (PRECON)

Tourism

2. The Ministry of Tourism and Cultural Affairs, in collaboration with the National Tourist Board and the Monument and Relics Commission, will embark on local and international rebranding activities; develop four eco-tourism sites; clean Lumley and other Peninsula beaches; implement the second phase of the Lumley Beach Development Project; and establish regional offices in Makeni, Kabala, Kenema and Bo



Pillar 2: Managing Natural Resources: Lands Environment and Mines and Mineral Resources



Lands

1. Government will support land planning and management for an environmentally safe and beautiful country.
2. Government will also support the execution of the National Land Policy, review of outdated policies, legislations and statutory instruments; and the reclamation, registration and planning of the use of lands

Environment

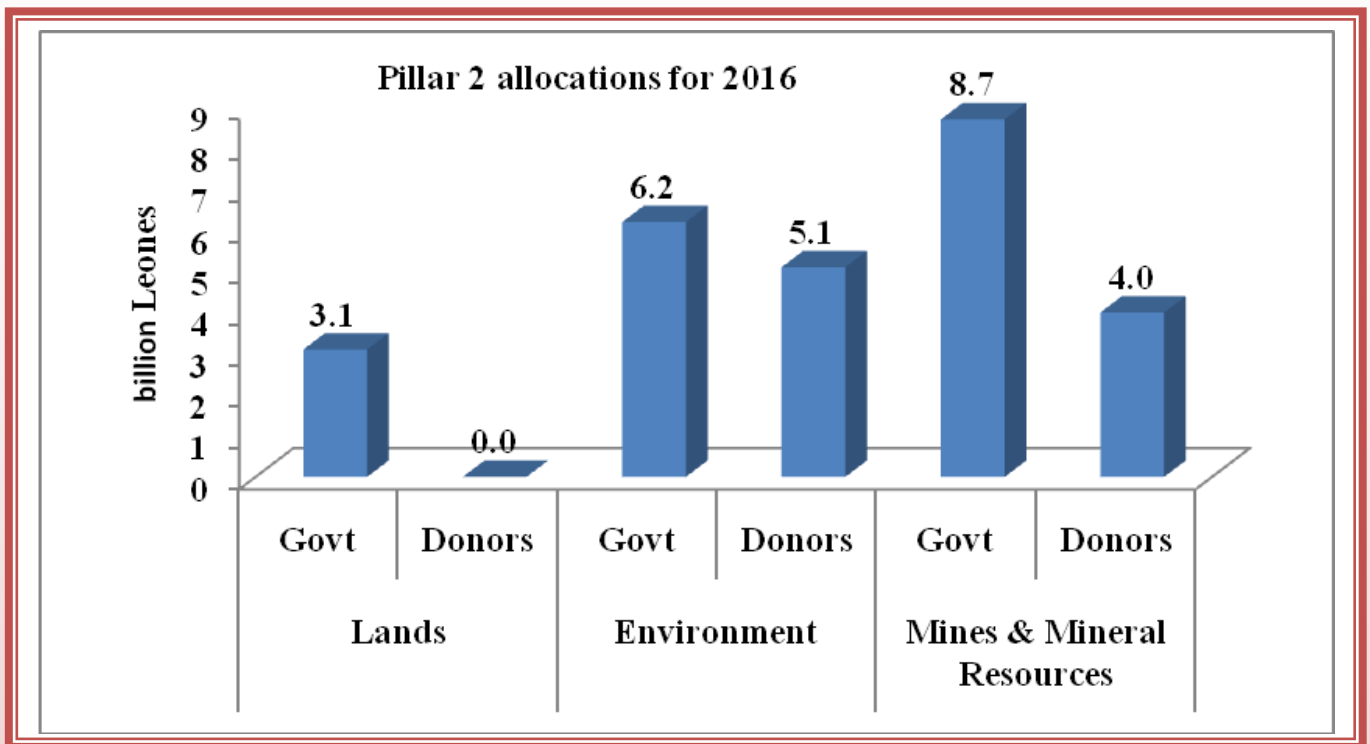
1. Government has signed the treaty for Reducing the Emissions from Deforestation and Degradation (REDD+)
2. Government will ensure revenue from the carbon trade be distributed as follows: 40% paid to the CRF; 40% retained by the NPAA for administrative costs; 15% for Community Trust/Insurance Fund, and 5% for capacity building of the Sierra Leone Conservation Society
3. World Bank will support the implementation of the Wetlands and Biodiversity projects

Mines and Mineral Resources

Government will support the following

1. formulation and implementation of mineral policies
2. the administration and enforcement of the Mines and Minerals Act 2009 and other Acts and related regulations in mining, as well as, trade in minerals
3. reconstruction of NMA regional offices
4. Extractive Industry Transparency Initiative (EITI)

Donors (GIZ), DfID, AfDB, and WB) will support various projects in the mining sector.



Pillar 3: Accelerating Human Development: Health, Education, Water & Sanitation and Sports



Health

The key objectives in the health sector in the Ebola Recovery period are to:

1. build a sustainable national health system that delivers safe, efficient and quality health care services that are accessible, equitable and affordable for all Sierra Leoneans; and
2. build a resilient national health system that can respond robustly to a possible recurrence of Ebola or an outbreak of any other deadly disease.

Donors (WB, IDB Global Fund, Kuwait Fund, BADEA) too will support various projects in the health sector

Allocations for specific health programmes in 2016 are shown in the table below

Programmes	Amount (billion Leones)
Basic health services	22.9
Tertiary health services	24.8
Drugs for free health care programme	23.0
Cost recovery drugs and other medical supplies	10.9
Pharmacy Board	4.0
Health Service Commission	0.92
Dental and Medical Board	0.33
Public Health Service Sierra Leone	46.0
Refurbishment of Government Hospitals	6.5
National Public Health Insurance Scheme (pilot)	3.0
Transfers to LCs for primary and secondary health	21.0

Education

Government focus on the education sector in the Ebola recovery period is to restore basic education services across the country

Allocations for specific education programmes in 2016 are shown in the table below

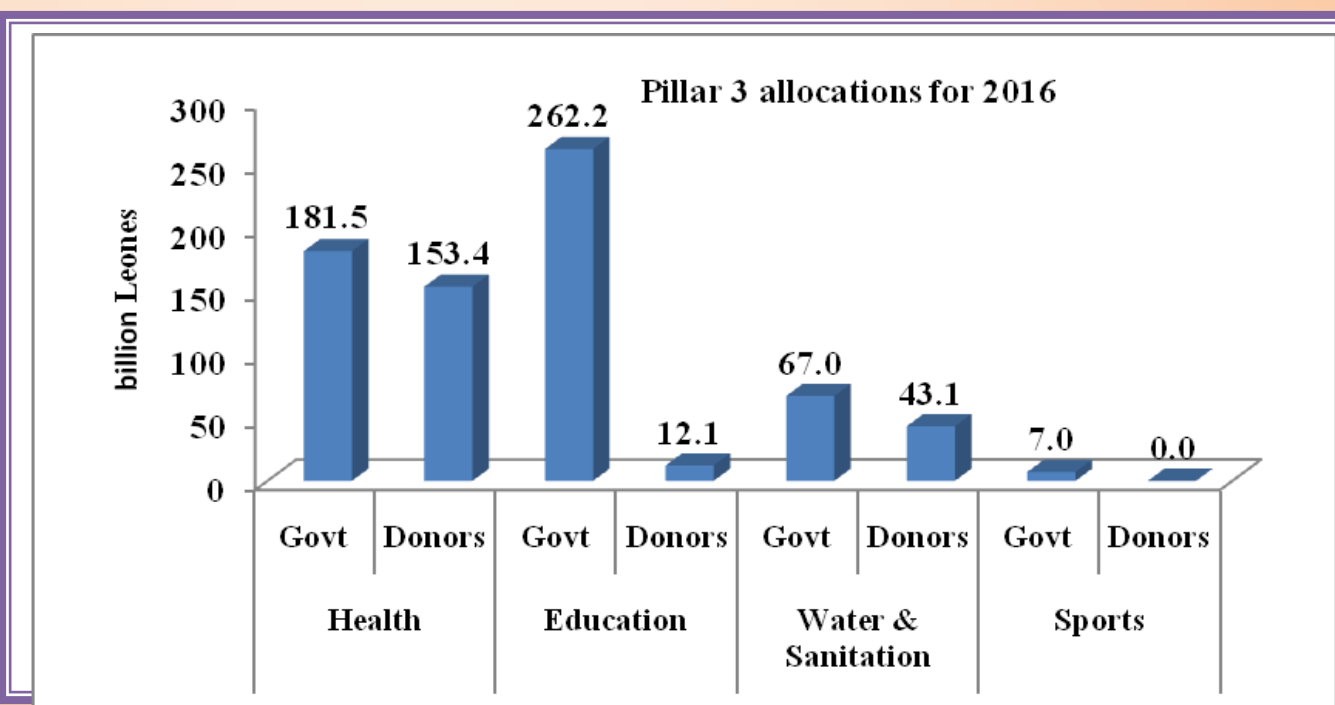
Programmes	Amount (billion Leones)
Improving access to quality education	56.0
Tuition fees subsidies to university students	113.7
Technical and vocational institutions	28.3
Student Loan Scheme	5.0
Rehabilitation of FBC (BADEA, OFIC, Saudi Fund) incl. Government counterpart	13.6
Rehabilitation of Port Loko Teachers College	1.6
Establishment of University of Science and Technology in Magburaka	1.8
Skills Development Fund	3.0

Water and Sanitation

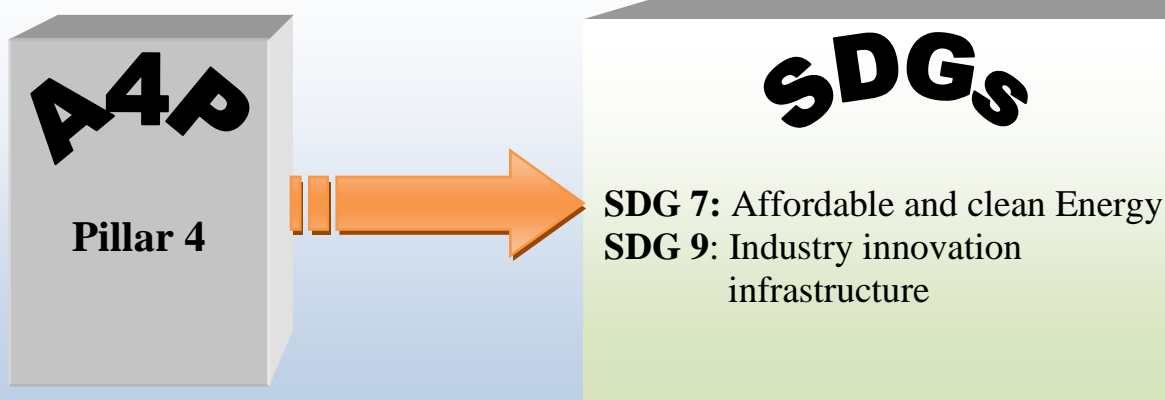
Key objectives of the water sector are to restore water, sanitation and hygiene services and address shortcomings that exist in the provision of these services as well as to mainstream sanitation at all levels of governance.

Allocations for specific water & sanitation programmes in 2016 are shown in the table below

Programmes	Amount (billion Leones)
Completion of ongoing water projects and new projects in rural areas (Taiama-Njala Water Supply system, Bonthe Municipality, and Mattru Jong and the Blama Bandawor and six other villages)	32.2
Rehabilitation of water treatment facilities and storage tanks in the Freetown Municipality	18.3
Support to the implementation of the Three Towns Water Supply System Projects in Bo, Kenema and Makeni; Kabala Water Supply System Project and the Rural Water Supply and Sanitation Project phase II	22.7



Pillar 4: International Competitiveness: Energy, Roads, Transport, ICT, Private Sector Development

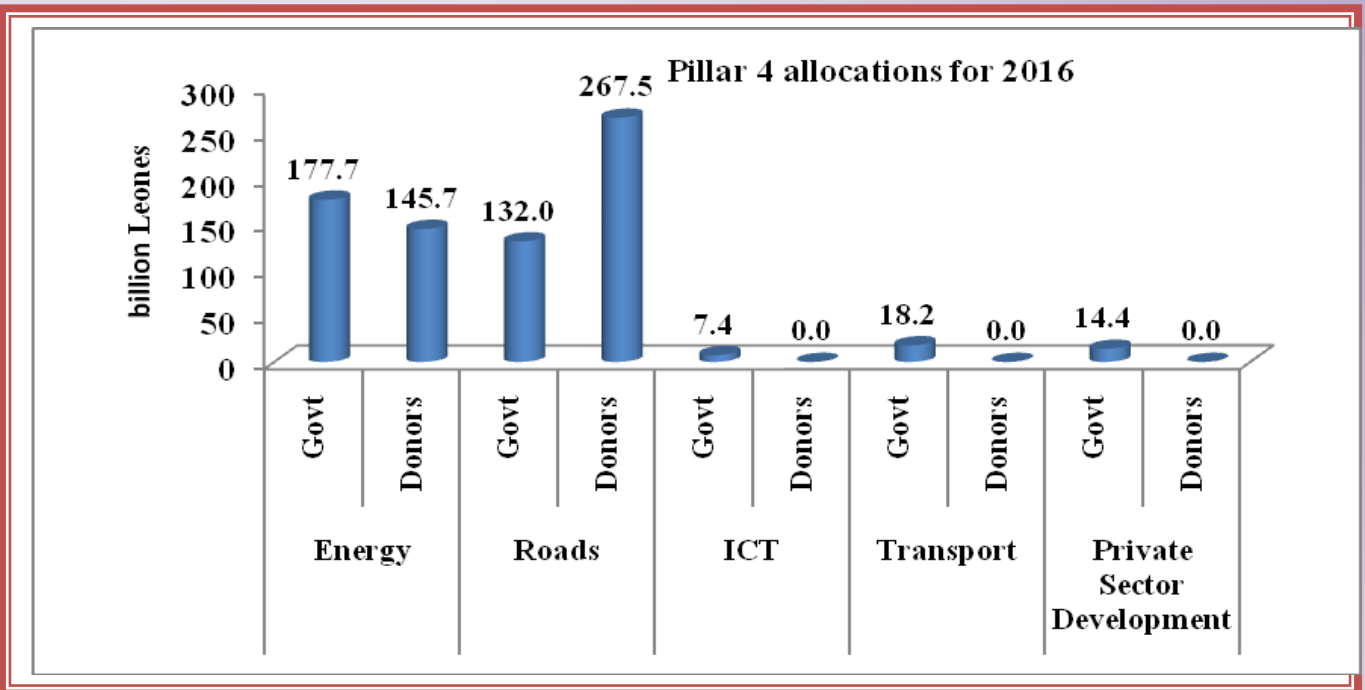


Energy

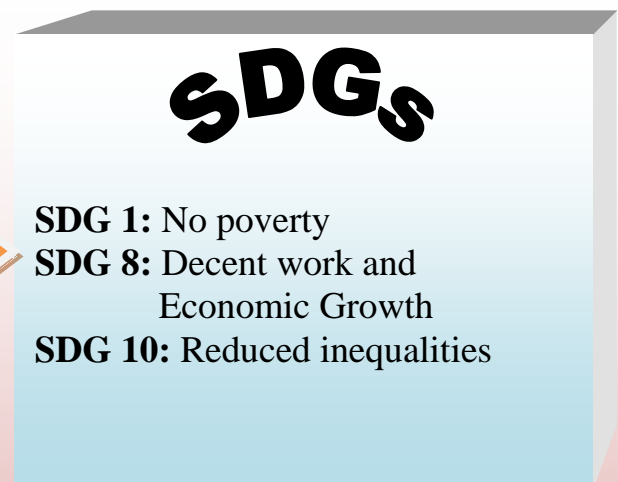
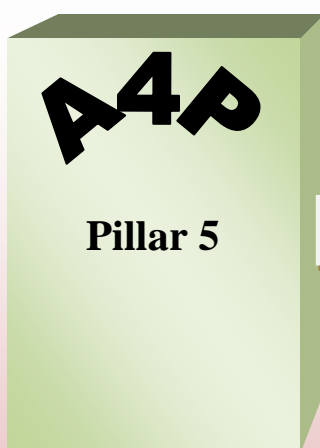
1. Government will seek to improve and expand access to reliable and affordable energy throughout the country
2. Energy projects will be implemented to restore and expand electricity supply in all the district headquarters and other selected towns, as well as rehabilitate the national transmission network

Roads

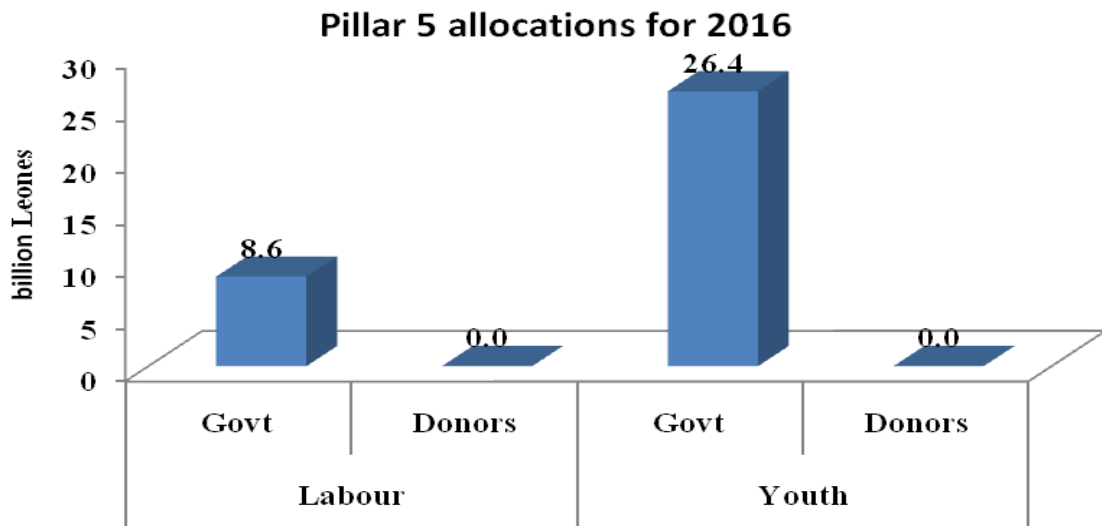
1. Government will continue to expand and improve the road network to support the enhancement of socioeconomic activities throughout the country



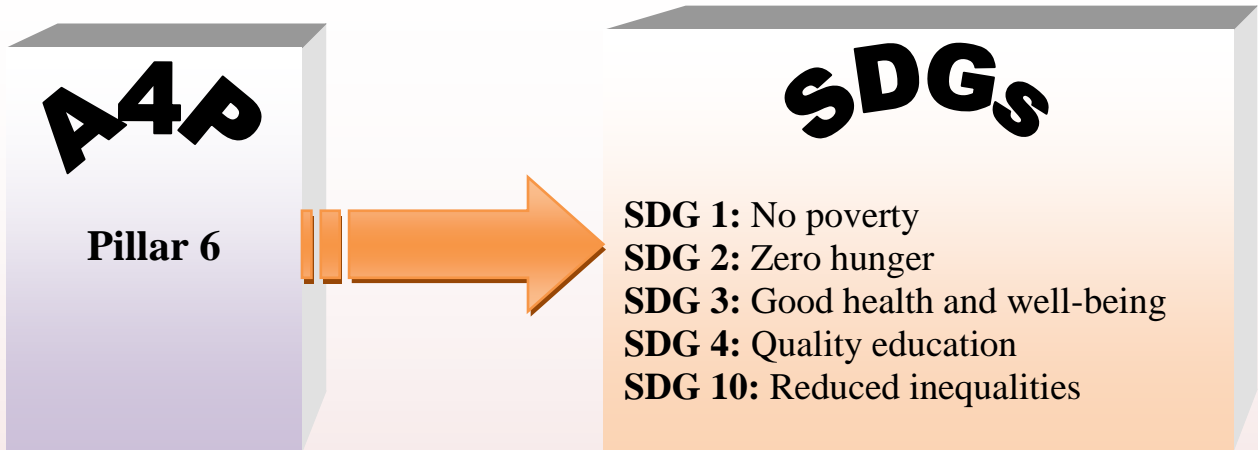
Pillar 5: Labour and Employment



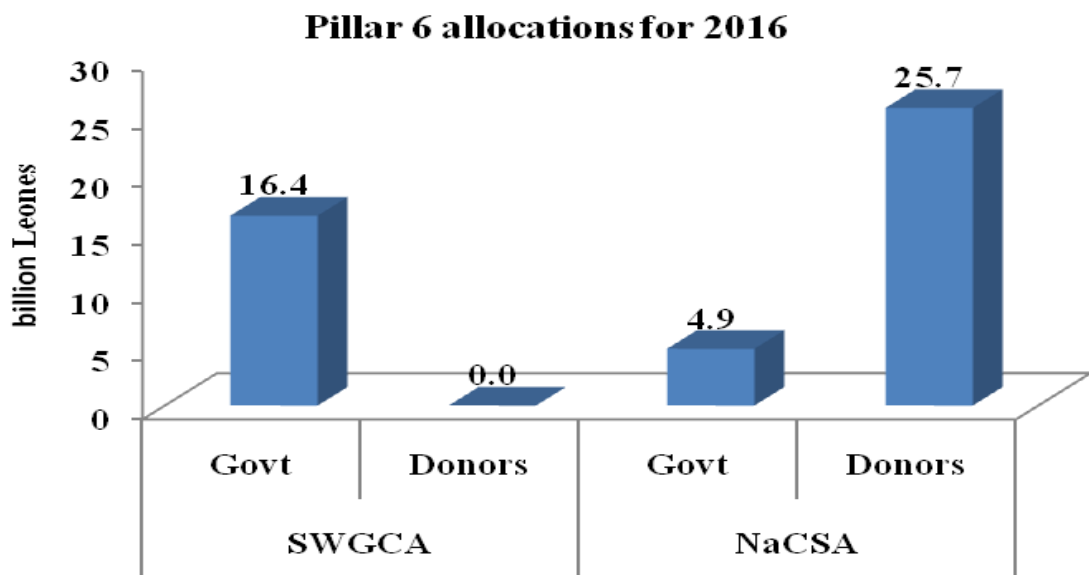
1. Government will continue to provide incentives to develop talents locally, and to encourage the private sector to strengthen collaboration with academic and training institutions and to work together to turn out skills that meet local needs
2. Government will seek support from partners to operationalize our Labour Market Information System



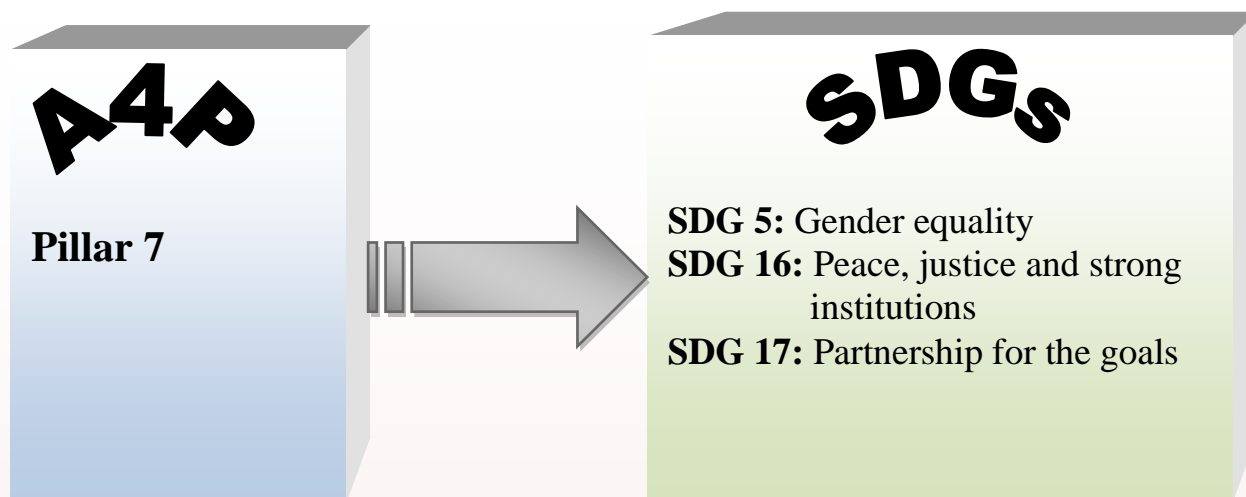
Pillar 6: Social Protection



Government, with support from our development partners, will expand social protection services to cater for vulnerable groups



Pillar 7: Governance and Public Sector Reforms



MDAs	2016 allocations (billion Leones)
Anti Corruption	6.8
House of Parliament	7.8
Audit Service Sierra Leone	5.4
Ministry of Foreign Affairs and International Cooperation	24.2
National Revenue Authority	68.7
Ministry of Defense	85.7
Sierra Leone Police	79.5
Sierra Leone Correctional Services	34.3
National Electoral Commission	33.7
National Public Procurement Authority	2.7
Statistics Sierra Leone	14.4
Judiciary	8.9
Public Sector Reform Unit	1.2
Human Resource Management Unit	1.3
Immigration and National Civil Registration Authority	41.5
National Fire Force	3.5
Ministry of Lands, Country Planning and Environment	0.9
Millennium Challenge Cooperation	1.5
Implementation of Threshold Programme (MCC)	21.0
Pay and Performance Project (World Bank)	26.1
Ministry of Works, Housing and Infrastructure	22.0
Local Government Development Grant	5.0
Project Preparation Fund	5.0
Constituency Development Fund	7.8

Pillar 8: Gender and Women's Empowerment

A4P

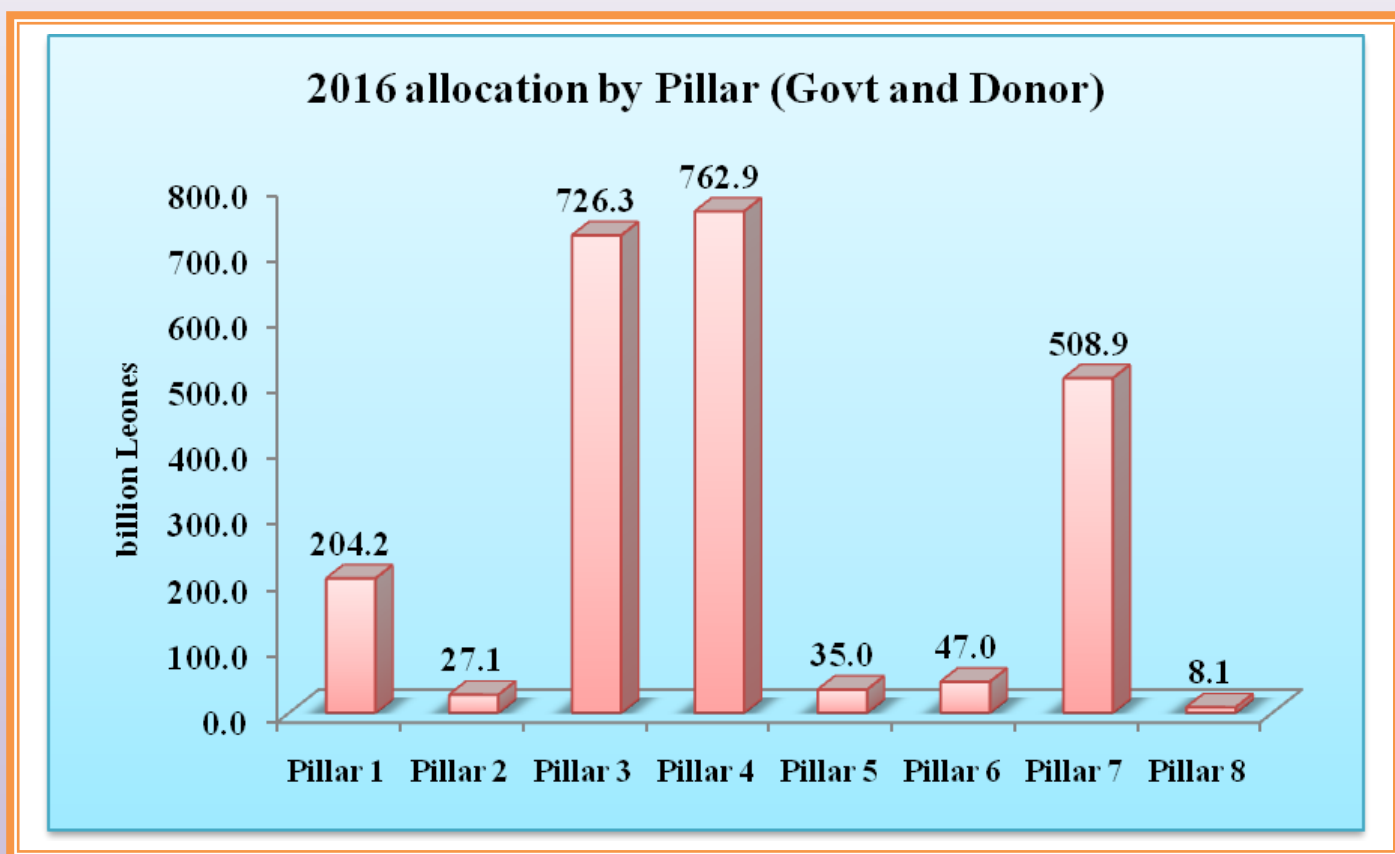
Pillar 8

SDGs

SDG 1: No poverty
SDG 2: Zero hunger
SDG 3: Good health and well-being
SDG 4: Quality education
SDG 5: Gender equality

1. Government objective is to enhance gender and women empowerment programmes. Le8.1 billion is allocated for 2016

Summary of 2016 Allocations for all 8 Pillars in the A4P is shown in the figure below



8.0 RISKS TO 2016 BUDGET IMPLEMENTATION AND EXECUTION

There are unforeseen circumstances and or expectations that may render budget implementation and execution difficult. They include:

1. The non-resumption of iron ore production and export, which will pose additional strain on the Budget in terms of revenue loss and further depreciation of the Leone
2. Maintaining a resilient zero Ebola infections: Without a resilient zero infection rate, uncertainty in the economy will return
3. The slowdown of the Chinese economy and the consequent weak demand for primary commodities, including iron ore may affect our economic prospects
4. Delays and untimely disbursement of donor funds may also impact budget execution
5. The resettlement of flood-affected victims in Western Area and other parts of the country would require substantial resources. In the absence of donor support, this may force Government to divert resources from the priority sectors in National Ebola Recovery Strategy
6. Delays in the enactment of the proposed 2016 Finance Bill will negatively impact on revenue mobilization and hence implementation of the budget

9.0 CONCLUSION

“As we are in transition from MDGs to SDGs, the responsibility to deliver the 2016 Budget is on each and every Sierra Leonean”. The focus of the 2016 National Budget which is to maintain zero Ebola infections and return the economy to normalcy (the Agenda for Prosperity) can be achieved if every Sierra Leonean puts hands together to monitor and deliver the 2016 National Budget.

Noting the complexity of the national budget, this guide has been produced to increase Citizens’ understanding and access to the 2016 National Budget. We hope that the information provided in this document will strengthen the capacity of Sierra Leoneans to understand the 2016 National Budget and be more active in holding government to account.

To access a copy of the National Budget, the Citizens’ Budget and Local Council Budgets, Sierra Leoneans are encouraged to visit the website of the Ministry of Finance and Economic Development at www.mofed.gov.sl or the NSA website on Public Financial Management at www.nsasl.org . Hard copies can also be secured at the Non-State Actors Coordination Unit of the Minister of Finance and Economic Development, Budget Bureau and the Local Government Finance Department for Local Councils Budgets.

GLOSARY OF TERMS

Agenda for Prosperity (A4P): The first five-year road map for Sierra Leone to reach middle income status by 2035

ASYCUDA++: Is a computerized system designed by the United Nations Conference on Trade and Development (UNCTAD) to administer a country's customs. It is the largest technical cooperation programme of the UNCTAD, covering over 80 countries and 4 regional projects. There are three generations of ASYCUDA in use: ASYCUDA 2.7, ASYCUDA++ and ASYCUDA World.

Balance of Payments: A record of all financial transactions made between consumers, businesses and the government in one country with others.

Borrowers and Lenders Bill: A bill that seeks to improve access to credit by widening the scope of collateral usable by borrowers in a bid to obtain credit from lending institutions operating in the financial sector

Budget Deficit: This is the difference between government revenues and its expenditures

Capital Expenditure: This is expenditure on development projects such as construction of infrastructures (e.g. roads, airport etc.), supporting industry, building schools and hospitals, electricity and water supply, and agricultural projects. Such expenditure will result in improved service delivery and promote social and economic development.

Catastrophic Containment and Relief Trust: The IMF Catastrophic Containment and Relief Trust provide grant assistance to immediately pay-off future debt service payments totaling \$100M for the three Ebola hit countries.

Collective Investment Bill: This is a bill that seeks to support the establishment and operation of collective investment schemes with a view to deriving benefits through synergy.

Debt Management Policy: Debt management policy is a written guideline, allowance, and restrictions that guide the debt issuance practices of state or local governments, including the issuance process, management of a debt portfolio, and adherence to various laws and regulations. A debt management policy should improve the quality of decisions, articulate policy goals, provide guidelines for the structure of debt issuance, and demonstrate a commitment to long-term capital and financial planning.

Debt Sustainability Analysis: Is done by the government to assess the current debt situation, its maturity structure, whether it has fixed or floating rates, whether it is indexed, and by whom it is held. It also identifies vulnerabilities in the debt structure or the policy framework far enough in advance so that policy corrections can be introduced before payment difficulties arise

Domestic Revenue: Revenue that is collected within the borders of Sierra Leone. It includes: corporate tax, personal income tax, taxes on goods and services, taxes on international trade and royalties paid by mining companies.

Exchange Rate Policy: An exchange rate policy is a system that a country's monetary authority, - usually the central bank-, adopts to establish the exchange rate of its own currency against other currencies.

Extended Credit Facility: This provides financial assistance to countries with prolonged balance of payment problems

Fiscal Policy: This involves the government changing tax rates and levels of government spending to influence aggregate demand in the economy

Fiscal sustainability: This is the ability of a Government to sustain its spending, tax and other policies in the long run without threatening Government's ability to repay its debt or defaulting on some of its obligations or promised expenditures.

Grants: These are monies provided by our donor partners to facilitate specific development of the country.

Gross Domestic Product (GDP): A measure of the quantity of goods and services produced in Sierra Leone over a period of time usually one year.

Inflation: A persistent rise in the general price level of goods and services.

Integrated Financial Management Information System (IFMIS): This refers to the use of information and communications technology in financial operations to support management and budget decisions, fiduciary responsibilities, and the preparation of financial reports and statements. It is an information system that tracks financial events and summarizes financial information

Loans: These are monies provided by our donor partners to facilitate development of the country. Interest is paid on all loans taken by the Government

Medium Term Macroeconomic Outlook: These are broad priorities the Government wants to achieve within a 3-year period in order to maintain a steady growth and stable economic environment

Monetary Policy: This involves changing the interest rate and influencing the money supply. Monetary policy is usually carried out by the Central Bank and other monetary authorities.

Millennium Development Goals: These are eight international development goals with measurable targets and deadlines for improving the lives of the world's poorest people. These goals were to be achieved between the years 2000 to 2015.

National Switch: This is a facility that helps in transferring funds from one bank to the other. It is a network of shared automated teller machines (ATMs)

Open Budget Survey: The International Budget Partnership's Open Budget Survey (OBS) is one of the world's independent, comparable measure of budget transparency, participation, and oversight.

Open Market Operations: This is concerned with the buying and selling of government securities in the open market in order to expand or contract the amount of money in the economy.

PETRA: This is a financial software used by local councils for recording and reporting financial transactions to improve financial management and accountability in local councils

PFM Bill: This is a bill if passed by Parliament will replace the Government Budgeting and Accountability Act (GBAA) of 2005. It is a bill that hopes to secure transparency and accountability in the appropriation, control and management of public finances.

Recurrent Expenditure: This is the total money used by the government on its recurrent operational expenses. It consists of expenditure on purchases of goods and services (like hospitals, school equipment, fuel and rent.); salaries and wages for civil servants etc.

Resilience: The capacity to recover quickly from difficulties; toughness

Security and Exchange Bill: Is a bill when enacted will create the enabling environment required for Bank of Sierra Leone to give up its current regulatory and supervisory role of the Stock Exchange to the Securities and Exchange Commission (SEC).

Total Expenditures: This is the total money used by the government on all its operations including recurrent, capital and servicing its debt

Total Revenues: These are revenues (monies) that sum up both domestic revenues and grants/loans

Treasury Single Account (TSA): This is a set of unified and linked accounts through which the Government tracks all revenues and payments to give a consolidated view of Government cash position. TSA, will facilitate better fiscal coordination and reconciliation of fiscal information