



REF NO: MF-BB/09/2019/06

FROM: The Financial Secretary

TO: All Permanent Secretaries/Heads of Departments

DATE: 31st July 2018

Cc: The Chief Minister
Hon. Minister of Finance
Hon. Deputy Minister of Finance
The Secretary to the President
The Secretary to the Cabinet and Head of the Civil Service
The Secretary to the Vice President
The Director General, Human Resource Management Office (HRMO)
The Commissioner General, National Revenue Authority (NRA)
The Auditor General, Audit Service Sierra Leone
The Chairman, Parliamentary Finance Committee

BUDGET CALL CIRCULAR FOR THE MTEF PERIOD FY2019 - 2021

I INTRODUCTION

1. In accordance with Section 31(1) of the Public Financial Management Act of 2016, I have the pleasure to transmit to you the Budget Call Circular that will guide the preparation of the 2019 budget and the two outer years (2020 and 2021). It is particularly important that MDAs focus on operational activities for 2019 especially geared towards the completion of ongoing programmes and projects focused on the policies and programmes in the new direction. Good quality plans will have a positive impact on resource allocation and budget execution.

2. The purpose of this Circular therefore is to communicate:

- i) guidelines to Budgetary Agencies in preparing their budget proposals;
- ii) indicative resource envelope and MDA expenditure ceilings for FY 2019 and the medium term;
- iii) Government's priorities for FY 2019 in line with the Presidential Address delivered on the Occasion of State Opening of the First Session of the Fifth Parliament of the Second Republic of Sierra Leone which is

translated in the Fiscal Strategy Statement for 2019 - 2023 and underpinned by Executive Orders 1 and 2;

- iv) key policies and administrative issues for the preparation of strategic plans and expenditure estimates; and
- v) the budget calendar for the 2019 budget preparation attached in Annex 7 of this Circular.

3. Consistent also with Section 33 (1) of the Public Financial Management Act 2016, the Minister of Finance is required to submit the budget to Parliament for FY 2019 and its medium-term perspective on **Friday, 26th October, 2018** to allow Parliament enough time for its scrutiny and ratification.

4. In line with the above, therefore, MDAs are required to submit their budget proposals and contribution to the Budget Speech, **by 31st August, 2018**. Consultative discussions on the 2018 budget will be held between 12th September and 10th October 2018 in Freetown.

II PROJECTED RESOURCE ENVELOPE FOR FY 2019

5. Total Revenue and Grants are projected to amount to Le 5.7 trillion (17.2 percent of GDP) in FY2019. Domestic Revenue is projected at Le 5.5 trillion (16.0 percent of GDP) from an estimated Le 4.6 trillion (15.4 percent of GDP) in 2018.

6. Total expenditure and net lending is projected at Le 8.2 trillion (24.0 percent of GDP) from an estimated Le 7.4 trillion (24.5 percent of GDP) in 2018. Of the total expenditure and net lending, Goods and Services are projected at Le1.4 trillion, whilst Subsidies and Transfers are projected at Le1.1 trillion. The attached Recurrent Expenditure Ceilings in Annex I are based on the projected expenditure for Goods and Services, Subsidies and Transfers.

III. BUDGET STRATEGY AND PRIORITIES FOR FY 2019

7. The Fiscal Year 2019 MTEF budget will be the first year of implementation of the Fiscal Strategy Statement (FSS) 2019 - 2023 which is anchored on the New Direction of the current administration as articulated in the the Presidential Address delivered on the Occasion of State Opening of the First Session of the Fifth Parliament of the Second Republic of Sierra Leone. To support the attainment of the outcomes in the Fiscal Strategy Statement 2019 - 2023, priority will be given to the following:

- i) completion of ongoing projects in the Fiscal Strategy Statement 2019 - 2023. All MDAs are therefore advised not to submit budget estimates for new projects for programmes not approved by the relevant authorities and not in the FSS 2019 - 2023;
- ii) it is also imperative that MDAs make provision for all operational activities including all the subsidies in the Social and Economic Sectors in their budget estimates.
- iii) make adequate provision for the clearance of arrears on goods and services and supply contracts.

IV. PUBLIC FINANCIAL MANAGEMENT REFORMS

8. Over the last year, efforts have been made to improve on our public financial management systems. These reforms are expected to play an important role in ensuring budget credibility, value for money and probity in the use of public funds to ensure improved public service delivery.

9. The quality of public financial management would be strengthened to improve aggregate fiscal discipline, strategic allocation of resources and efficient public service delivery. The budget formulation process is being strengthened to ensure the timely preparation of the Government Budget and its transmittal to Parliament.

10. ***The 2017 PFM Regulations:***

To support implementation of the PFM Act 2016, the Ministry of Finance with technical support from the International Monetary Fund developed a Public Financial Management Regulations, which was ratified by Parliament in May 2018.

11. ***Automation of the budget execution process:***

To support the effective implementation of the budget, the Ministry of Finance will implement a two-phased approach to automate the budget execution process. Automated Public Expenditure Tracking Survey (PETS) Forms I & II have been designed and will roll-out to MDAs for implementation from January 2019. In this regard, following approval of the FY2019-2021 Budget, training sessions will be conducted for all stakeholders by December this year.

12. ***Integrated Financial Management Information System (IFMIS) roll-out:***

Government is in the process of upgrading the current IFMIS software to a higher version (Version 7), which is web-based version, to be rolled out to all MDAs. Therefore, MDAs are therefore advised to improve on their Information, Communication and Technology (ICT) infrastructure to support Internet connectivity to enable effective utilization of the new IFMIS software.

13. ***Development of e-Procurement System:***

As part of the World Bank budget support triggers agreed for 2018, Government should move to an e-procurement system that would improve on transparency in procurement process across Government. In that regard, the National Public Procurement Authority (NPPA) should include as part of their budget submission the design and implementation of a suitable e-procurement platform from 2018 onwards.

V. GUIDELINES FOR SUBMISSION OF FY 2019 BUDGET PROPOSALS AND DRAFT ESTIMATES

14. Using the above framework and fiscal projections for FY2019 - 2021, MDAs are strongly advised to prepare their respective budget estimates within the preliminary indicative ceilings on your recurrent expenditures for FY2019 as shown in Annex 1 to this Circular. Resource allocation in the FY2019 budget will focus on programmes to be

completed under the FSS 2019 - 2023 as well as the core functions of MDAs. As in previous years, the preparation of MDA budget proposals **should start** with the development of the Strategic Plan for the MDA.

15. In this regard, MDAs are strongly advised NOT to budget for new projects. All new projects will have to be formulated within the framework of the next Development Programme. Hence, there must be clear consistency among the FSS 2019 - 2023 programmes/policies/projects, the MDA Strategic Plan, and the MDA Budget Proposal/Estimate. The **final budget ceilings** and decisions on reallocation of resources would be agreed upon following conclusions from the consultative budget discussions to be held in September and October.

16. As already commenced in 2016, resource allocation and subsequent release of funds to MDAs in 2019 would be **performance based**. This implies that the access to funds from the Consolidated Revenue Fund (CRF) would be based on the progress made by MDAs in implementing triggers/benchmarks agreed between Government and its development partners under various frameworks including the Country Policy and Institutional Assessment (CPIA), the Multi-Donor Budget Support Performance Assessment Framework (MDBS_PAF), and the IMF Structural Benchmarks. MDAs are, therefore, strongly encouraged to refer to the CPIA technical notes already circulated, the Progress Assessment Framework (PAF) agreed with development partners and other performance related programmes.

17. Improvements in CPIA ratings will increase the amount of resources allocated to Sierra Leone by the multilateral financial institutions. This also applies in the case of the MDBS- PAF, where improved performance would increase budget support to the country. These in turn will translate into higher budgetary allocations to MDAs.

Technical support for Budget Preparation within MDAs

18. As usual, all Vote Controllers **must convene meetings** of their Budget Committees to undertake the initial preparation of their budget estimates. The full participation of the budget committees in compiling the draft budget estimates for FY2019 and MTEF Strategic Plans for 2019-2029 is strongly encouraged. Copies of the **Minutes** of all such meetings must be sent as an Annex to your budget submissions for FY2019. To strengthen the process, the Ministry of Finance has posted Economists and Budget Officers to assist MDAs in preparing their budget estimates. A senior technical budget reform team from MoF and Accountant General's Department, will during the month of August, visit key MDAs to assist in addressing budget formulation challenges.

19. On completion of the committees' work, the draft Budget Estimates must be submitted to the **supervising Minister or Head of Agency for endorsement and approval** and the same submitted to the Ministry of Finance against the stipulated deadline, which is 31st **August, 2018**. This must be submitted alongside draft procurement plans and disbursement forecasts developed in accordance with guidelines issued by the National Public Procurement Authority. It must be noted that the costing of the procurement plan must be consistent with the overall budget ceiling of the MDA to ensure budget credibility in 2019.

MDA Revenue Projections

20. In accordance with Section II, MDAs are requested to provide a comprehensive list of all current and prospective revenue streams and actual revenue collected in the last two years, as well as medium term revenue projections, including deposits on the sale of contract bid documents. In addition, all balances in Bank Accounts must be reported when submitting revenue proposals.

21. All MDAs are also required to submit tax and non-tax proposals, including those for increases or decreases in the rates of fees, licenses, etc. for discussion during budget hearings.

22. Pursuant to Finance Act 2018, all MDAs are also requested to budget for the payment of all taxes, duties and fees as they shall be liable to pay all taxes, fees and import duties on their imports.

Recurrent Expenditure Projections

23. In preparing estimates for recurrent expenditures, all MDAs must:

- i) Include outstanding commitments on all existing contracts and supplies. These must be **adequately provided for prior to projecting new obligations**; and
- ii) not enter into contracts denominated in foreign currencies. A standardized template for costing is attached as Annex 3 to this Circular. However, MDAs are advised to obtain the electronic copy of the standardized costing templates from the Budget Bureau. The Annexes would later be uploaded in the MoF website (www.mofed.gov.sl) by first week of July for ease of access.

24. To address the huge arrears accumulated for Subscriptions to International Organizations, MDAs are encouraged to negotiate payment plans on outstanding arrears with their respective Organizations and submit same to MoF for consideration. These do not form part of your budget ceiling.

25. The indicative ceilings for recurrent expenditures (Annex 1) for all MDAs for FY2019-21 are attached. These must be **complied** with in submitting draft estimates and proposals to facilitate review and discussions during participatory budget meetings. The attached Check List (Annex 4) must also be completed when submitting proposals.

VI. PAYROLL REFORM

26. Over the years, uncertainties in the number of public sector workers, including fluctuations in the payroll, and recruitment requests do not take into account of the budgetary implications are a major source of unpredictability in budget management. In the absence of adequate planning for vacancies, promotions, recruitments, absorptions and retirements, it has been very difficult to control both the evolution of personnel numbers and the size of the Government wage bill.

27. The quality of the payroll data is another issue that has become critical for the Ministry of Finance. This is in light of a payroll system upgrade that is imminent, thus a number of policy decisions have been taken to ensure the payroll data that is migrated into the new system of good quality.

28. To improve on budget management, steps have been taken to align the manpower planning process and the budget development process. In this regard, the wage-bill budget template that accompany this Budget Call Circular (see Annex 8) are to be completed by all MDAs as accurately as possible with respect to filled positions, recruitments, promotions, absorptions, retirements, etc. All completed templates must accompany budget submissions and MDAs that fail to do so will not be able to proceed with their budget preparation process. Over the coming weeks, MDAs will meet a team at the Ministry of Finance that will discuss the template with them including all mandatory data required.

29. The payroll for all active sub-vented agencies have been automated. In this regard, there will be no more manual payment of salaries for staff of sub-vented agencies. In addition, new sub-vented agencies that are established must follow the due process for their recruited staffs to be included in the computerized payroll system.

30. All MDAs including sub-vented agencies are expected to follow the standard procedures for requesting payroll changes. In particular, the standard procedure for requesting approval for new recruitment must be adhered to. As a reminder, before recruiting new staff MDAs must write to the Financial Secretary in order to seek financial approval for these positions, and recruitment should only begin after the approval is received. If MDAs do not follow this procedure, no retroactive payments will be made to staff that are recruited. Be reminded also that all new recruitment need to be included in the wage bill budget template already mentioned (see Annex 8).

31. A number of steps are being taken to improve on the quality and integrity of the existing payroll data hence the Ministry of Finance has taken a policy decision that all staff paid from the central payroll must have a NASSIT Number and the number must be correct. As a result, the European Union is currently supporting MoF and NASSIT to collect outstanding NASSIT numbers and correct NASSIT numbers that do not comply with the prescribed format. Therefore, all MDAs are encouraged to cooperate with MoF to ensure their staffs submit a NASSIT number. Failure to submit a NASSIT number by end August 2018 will result in a suspension of salaries for those staff that have not complied.

Personnel Costs

32. The Payroll Estimates for FY2019 and beyond will be computed on the basis of the submissions made in the wage bill budget templates. These estimates will be submitted to each MDA for review. Each MDA will then resubmit following any amendments and/or corrections.

33. In collaboration with HRMO, MDAs must also include in the wage bill budget templates information on retirements – those who proceeded on retirement during the year or are expected to retire by 31st December 2018, including abandonment of posts. Unfortunate occurrences of deaths must also be reported. This is part of the cleaning up exercise of the payroll.

Teacher Payroll

34. The teacher payroll will continue to receive Government's attention, to this end, the Teaching Service Commission has been established to manage the recruitment, postings and training of teachers countrywide.

35. The Ministry will continue to implement its policy of ensuring all teachers are paid directly into their bank accounts in order to automate all categories of the payroll. Similarly, all teachers are also expected to submit their NASSIT Numbers to the Ministry of Finance by the end of August 2018.

36. To further address the current challenges of managing the public sector payroll, Government through the Human Resource Management Office, Budget Bureau, Accountant General's Department, ICT Department, Internal Audit Department and Public Sector Reform Unit is implementing key projects with support from development partners.

37. The overall objective of the pay reform component is to have an established pay policy as well as to facilitate the creation of a satisfying and rewarding work environment, which in turn would make it possible for public service employees to work in a productive and efficient manner.

38. The Payroll Reform has the following outputs to deliver (i) automation of the payroll of TSA Agencies (ii) provide MoF with tools and training required to better monitor the wage bill (iii) Support MoF with developing the 2019 budget including developing the wage bill budget templates and (iv) Support Internal Audit to produce exceptional reporting on the payroll.

VII. PUBLIC INVESTMENT PROGRAMME (PIP)

39. Government's objective is to ensure that the preparation and execution of the public investment programme is enhanced in order to ensure that selected projects are not only consistent with the FSS 2019 - 2023 but also technically feasible, financially and economically viable. To this end, the Ministry of Finance and Economic Development has been unbundled into Ministry of Finance which takes care of the fiduciary aspect of public investment projects and the Ministry of Planning and Economic Development handling the planning of all public investment programmes. MDAs should therefore work with the Ministry of Planning and Economic Development and ensure prior feasibility studies are undertaken and reasonable costing of the project are obtained and submitted.

40. To strengthen implementation of capital expenditure, Ministry of Planning and Economic Development (MoPED) will issue policy guidelines on the management of the Public Investment Programme (Annex 5A attached) spelling out clear roles and responsibilities of key institutions in relation to project identification, design, appraisal, implementation, monitoring and evaluation.

41. For 2019, development expenditure projections should pay particular attention to:

- Update on project implementation in 2018, showing clearing funds received and the balance outstanding;
- Projects at or near completion stage which can be fully funded in 2019
- Projects which will enhance the performance/output/utilization of existing programmes and services
- Projects which are critical to the statutory functions of MDAs
- Projects clearly aligned with in the FSS 2019 - 2023.
- Projects must meet the following conditions: (i) reasonable total cost estimate; (ii) start and end date; and (iii) clear deliverables.

42. Where feasibility studies, needs assessments, option analysis etc. have not yet been conducted, the relevant MDA should apply for funding from the Project Preparatory Fund (PPF) in their FY2019 Budget proposal after submitting a clear Concept Note (CN) as prescribed in annex 5B. In the absence of indicative ceilings for on-going and/or new all capital expenditure projections should be based on reasonable estimates using existing contract documents, open competitive bidding, results of surveys, consultants' estimates and other verifiable and objective sources.

43. In this regard, capital expenditure projections must be redefined and reprioritized to avoid inclusion of expenditures of a recurrent nature in the development estimates. MoPED and MoF would jointly discuss, screen and appraise/evaluate project proposals for inclusion in the FY2019 and the medium term.

44. As the Government increasingly engages the private sector to help deliver aspects of public investment programmes, formal Public Private Partnerships (PPPs) will emerge and related fiscal implications must be incorporated in the budget estimates. PPPs will continue to be driven and owned by the relevant MDAs but must be developed with guidance from the PPP Unit in relation to the PPP Act 2014.

45. In outlining the total cost of a proposed PPP, MDAs should estimate the total potential private sector contribution and indicate the totality of potential government obligations, including for feasibility studies, demand assessments, transaction costs, equity investments and associated recurrent costs (e.g. PIU costs).

46. To enhance the delivery of existing projects and better consider new proposals, there are four (4) forms attached for MDAs to complete. Three (3) relate to ongoing projects and one (1) for new projects.

1. Annex 5A – the National Public Investment Policy
2. Annex 5B – Concept Note (CN). This template is to be developed or completed for any new projects involving development expenditure that will commence in 2018. MDAs must note that new projects in 2019 will only be considered if they are developed using the prescribed CN;
3. Annex 5C – Ongoing Projects Profile (GoSL Funded Ongoing Projects only): This form is to be completed for all capital costs for existing projects in the forthcoming MTEF period (2019 - 2021) that are only funded by the Government of Sierra Leone;

4. Annex 5D – Ongoing Projects Profile (Foreign Funded Projects): This form should be completed for all projects funded by Development Partners with or without GoSL counterpart funding in the forthcoming MTEF period (2019 - 2021);
5. Annex 5E – GoSL Outstanding Commitment to Ongoing Projects: This form should be completed to update information on obligations outstanding and payments that will fall due in 2019 for existing projects.

VIII. INCLUSION OF DONOR FUNDED PROGRAMMES AND ACTIVITIES

47. All MDAs with on-going project(s) should submit a **copy of the original project(s) document** together with a **comprehensive progress status report** on project implementation as at end August 2018. The policy objective(s), activities, estimated cost, duration and expected outcomes of such projects should be made clear and incorporated in the strategic plan. **MDAs should ensure that donors comply with and complete the Development Assistant Database (DAD).** Further to this, MoPED has developed a Mutual Accountability Framework (and a dashboard system) between Government and Development Partners to monitor progress on the implementation of programmes and projects. MDAs implementing donor funded projects should therefore liaise with MoPED on the use of this framework.

48. Furthermore, MDAs should also request comprehensive details from NGOs operating in their sector(s) and integrate these activities within their respective plans and budget submissions. Copies of NGO submissions must be submitted with budget proposals.

IX. NEXT STEPS IN BUDGET PREPARATION PROCESS

49. In preparing Budget Estimates, all MDAs are strongly encouraged to:
- Adhere to the requirements of the Public Financial Management Act 2016.
 - Adhere to the requirements of the Public Procurement Act 2015, especially for the preparation of procurement plans (including disbursement plans) and the Public Private Partnership (PPP) Act of 2014 for the preparation of projects under PPP arrangements
 - **Prepare comprehensive revenue and expenditure estimates** including all donor and NGO-supported programmes and projects.
 - **Adhere to the revenue and expenditure policies approved by Parliament on the 13th July 2018 in the Supplementary Government Budget and Statement of Economic and Financial Policies for the year 2018**
 - **Prepare detailed Strategic Plans** (Annex 2) with clear policy objectives, activities, output/outcomes, key performance indicators and timelines aligned to the respective pillars in the ‘Agenda for Prosperity’. Strategic Plans should be costed and provided for within the indicative resource ceilings (Electronic copies of templates are available at the Budget Bureau).
 - Ensure the widest participation of all stakeholders, including NGOs, CSOs, and internal budget committees.

- Ensure that budget proposals and formats are consistent with the IFMIS 27-digit Chart of Accounts
- **MDAs are encouraged to submit their contribution to the Budget and Statement of Economic and Financial Policies for FY 2019 on or before 31st August, 2018.**

X. OTHER ADMINISTRATIVE DETAILS - ORGANISATION AND TIMELINES FOR THE FY2019 BUDGET PREPARATION PROCESS

Deadline for Submission of Draft Estimates and Proposals

50. In order to comply with the requirements of the Public Financial Management Act 2016, the **deadline for the submission of Budget Proposals**, including **Strategic Plans**, updated **Procurement Plans** (including quarterly Disbursement Plans) by all MDAs to the Financial Secretary is **31st August, 2018.**

All submissions in relation to **Annexes 2, 3 and 4** should be addressed to the Financial Secretary for the **Attention of the Director of Budget**, whilst submissions in relation to **Annex 5 and a copy of Annex 2** should be addressed to the Financial Secretary for the attention of the Development Secretary, Ministry of Planning and Economic Development and **Director of Budget.**

Policy Hearings and Participatory Budget Discussions

51. These discussions, involving community leaders, District Budget Oversight Committees, Non-State Actors, Members of Parliament, development partners and other stakeholders, will be held at the Miata Conference Hall, Youyi Building, Brookfields, Freetown in September and October, 2018.

52. Please also note that Annexes 2 to 6 referred to in this Circular are to be obtained in **electronic version** from the **Budget Bureau on the Ground Floor of the Treasury Building, Ministry of Finance** for ease of completion.

53. Finally, we anticipate the cooperation of all MDAs for completion of the budget process in line with the requirements of the Law.

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Annexes

1. FY2019 - 2021 Recurrent Expenditure Ceilings;
2. Strategic Plans Template (Electronic copy to be obtained from the Budget Bureau);
3. Customized Budget Costing Templates
4. Budget Submission Checklist
5. National Public Investment Policy and Templates (Electronic copy to be obtained from MoPED);
6. FY2019 Budget Calendar
7. Wage Bill Budget Template (Electronic copy to be obtained from Budget Bureau)