

MR. SPEAKER, HONOURABLE MEMBERS

I. Introduction

Mr. Speaker, I rise to move that the Bill entitled “An Act to Provide for the Services for Sierra Leone for the Financial Year (FY) 2009” be read for the first time.

2. Mr. Speaker, economic management and budget execution during 2008 were undertaken under difficult circumstances, characterized by an adverse external environment, the usual delays in the disbursement of external budgetary support and consolidation of the new administration. The dramatic rise in food and fuel prices experienced in the first three quarters of 2008 undermined Government’s efforts in reducing poverty and preserving macroeconomic stability, as it led to higher inflationary pressures, loss of purchasing power by households, weak fiscal and balance of payments positions, and a reduction in our foreign exchange reserves.

3. Notwithstanding these difficult challenges, we stayed the course of implementing prudent fiscal and monetary policies, which facilitated the successful completion of the protracted second

review under the Poverty Reduction and Growth Facility (PRGF) arrangement by the Executive Board of the International Monetary Fund (IMF) in July this year. The PRGF arrangement is now back on track, and the third review of the programme commenced in September this year by IMF staff in collaboration with the Government of Sierra Leone. The review is presently nearing completion. This is a testimony of Government's commitment to prudent economic policies and structural reforms to enhance the growth prospects of the economy and improve the socio-economic well-being of our people.

4. Mr. Speaker, against the background of the high incidence of poverty in our country and in order not to increase the number of people already below the poverty line, Government, in March 2008, decided not to pass on fully the impact of the high international prices of food and fuel to consumers. At the same time, Government took on part of the cost by reducing import tariffs on petrol, diesel, kerosene, rice, wheat, flour and sugar. The situation was compounded by the increase in the spending requirements of key Ministries, Departments and Agencies (MDAs) for food and fuel compared to the initial budgetary allocations. The budgetary cost of these developments in terms of revenue forgone and expenditure overruns incurred was therefore significant, making the delivery of planned level of basic services to our people during the year difficult.

5. Even though the prices of fuel and food are now declining, they are still significantly above their levels at the beginning of FY 2007 and our earlier projections for 2008. We therefore continue to face policy challenges associated with maintaining macroeconomic stability, ensuring food security and reducing poverty.

6. Mr. Speaker, it is also important to note that the 2009 Government Budget is being presented at a time when the risks to the global economic environment are the most serious and challenging

in recent history. The global financial crisis, coupled with the surge in food and fuel prices, is having adverse impact on global economic growth and its prospects. Many of the advanced economies are already in recession and are projected to remain in this situation throughout 2009, while growth in emerging and developing economies is forecast to fall below the trend in recent years. The potential risks to our economy from the financial crisis include a decline in Official Development Assistance (ODA) and private Foreign Direct Investment (FDI) inflows, a decrease in demand for our exports, associated fall in the prices of these exports and a reduction in remittances from our relatives and friends abroad. The combined effects of the two global crises are therefore likely to reverse the gains we have made in macroeconomic stability, economic growth and poverty reduction in recent years.

7. Against this backdrop, Mr. Speaker, the key objectives of the 2009 budget are as follows:

- (i) to continue to pursue macroeconomic stability through the implementation of prudent fiscal and proactive monetary policies;
- (ii) to accelerate economic growth by scaling up investment in agriculture and infrastructure as well as improving the business climate;
- (iii) to improve the delivery of basic services by pursuing appropriate public sector and public financial management reforms aimed at reducing poverty.

8. Mr. Speaker, before elaborating on the programmes, policies and measures for achieving the above objectives, permit me to reflect further on the recent developments and outlook in the global and regional economies and their implications for our economy.

II. Global and Regional Economic Developments and Outlook

9. Mr. Speaker, the International Monetary Fund (IMF)'s most recent World Economic Outlook (WEO) reports that growth prospects of the world economy have been weakened by the unfolding financial crisis. The crisis, which was triggered by the US sub-prime mortgage collapse in mid 2007 has deepened and entered a new phase especially in September 2008, when global financial markets plunged into turmoil. The crisis has now evolved into a solvency issue, exacerbated by liquidity problems in inter-bank markets, in credit markets, and by depositor fear leading to runs on banks. In response, the United States and European Governments have taken extra-ordinary measures aimed at stabilizing markets, including massive liquidity provision, prompt intervention to resolve weak institutions, extension of deposit insurance, and a recent US legislation to purchase troubled assets from banks.

10. Despite these bailout steps, the IMF report projects that the global economy, which grew by a hardy 5 percent in 2007, will slow down to 3.9 percent in 2008 and further to 2.0 percent in 2009, its slowest pace since 2002. Inflation has reached the highest levels in a decade, driven mainly by the surge in fuel and food prices. In advanced economies, annual inflation is projected to reach 3.6 percent in 2008, from 2.2 percent in 2007. Inflationary pressures are more pronounced in emerging and developing economies, with headline inflation projected to rise to 9.4 percent in 2008, from 6.4 percent in 2007. In 2009, inflation is projected to decline to 2.0 percent in advanced economies and 7.8 percent in emerging economies, as the price of oil continues to fall.

11. So far, most of Sub-Saharan Africa seems to have avoided the first round effects of the contagion since in most of the countries the banking sector is less integrated with the rest of the world,

consumer credit is sparse and derivatives rare. Economic growth in the region is therefore expected to continue, but risks are tilted to the downside. Growth in the region is expected to moderate in the face of the financial turmoil and high energy and food prices, even though some African countries are benefiting from the terms-of-trade gain resulting from the surge in the prices of other commodities.

12. As the economies of Western countries stand on the edge of recession, and commodity and oil prices start to retreat, Sub-Saharan Africa growth prospects could also be dented by slower global demand for the continent's exports and falling investment capital and aid inflows. Overall, growth is projected to slow to 6.2 percent in 2008 from 6.8 percent in 2007, but to recover to 6.6 percent in 2009. With the lingering effects of higher food and energy prices, inflation is projected to rise from 7.1 percent in 2007 to 11.7 percent in 2008, but to fall to 10 percent in 2009, reflecting the anticipated decline in commodity prices and the related easing of inflationary pressures.

13. Indeed, as we continue to monitor very closely the second round effects of these crises in Sierra Leone, we are also drawing from the experience of many countries in their interventions to mitigate the effects of the contagion. We continue to address the effects on the financial sector including the international credit crunch and the widening margins on credit lines. Our biggest challenge is to ensure that the drivers of growth and poverty reduction are not undermined by the contagion.

III. Regional Integration

14. Mr. Speaker, Government remains firmly committed to the ideals and aspirations of the West African Monetary Zone (WAMZ). As a manifestation of that commitment, Government hosted in June this year the 22nd Meeting of the Convergence Council of Ministers and the Committee of Governors in Freetown. The meeting discussed important issues surrounding the realization of the 2005 Banjul

Action Plan for the introduction of the common currency, the Eco, on December 1, 2009. The meeting also recommended immediate steps to be taken by member states to accelerate the implementation of the Banjul Action Plan.

15. Mr. Speaker, as part of these steps, in September 2008, I undertook a very fruitful working visit to Ghana and Nigeria in my capacity as Chairman of the Convergence Council, accompanied by the Director-General of the West African Monetary Institute (WAMI), the Financial Secretary (chairman of the Technical Committee) and the Governor of the Bank of Sierra Leone (chairman of the Committee of Governors). We were able to urge the authorities at the highest level to put in place concrete arrangements for the establishment of the WAMZ institutions to be hosted in those countries, i.e. the WAMZ Secretariat in Guinea, the West African Central Bank in Ghana and the West African Financial Supervisory Agency (WAFSA) in Nigeria. The Convergence Council has also called for the convening of a Summit of Heads of State and Government of WAMZ as soon as possible to discuss progress on the WAMZ project. This call was repeated in our recent meetings in Banjul, The Gambia. It is hoped that concrete decisions will be taken at the planned Summit of Heads of State and Government that will give a further impetus to the realization of our common objectives of a single currency and a wider market within the sub-region.

IV. Macroeconomic and Budgetary Performance in 2008

16. Mr. Speaker, as mentioned earlier, the international financial, food and fuel crises pose serious challenges to the maintenance of macroeconomic stability. While growth prospects remain strong as evidenced by the fast growth in bank credit to the private sector, increased production of food crops, and robust activity in the construction and service sectors, inflationary pressures persisted during the year. National inflation rose to 18 percent in July before easing to 15.0 percent in October 2008.

17. The slow down in mining activities following the suspension of operations by Koidu Holdings and the collapse of the second dredge at Sierra Rutile Mining site, have also dampened the growth prospects of the economy. As a result, real GDP is now projected to expand by 5.5 percent compared to the original target of 6 percent.

18. The above developments, coupled with the adverse external environment have also impacted negatively on our trade balance. Total exports amounted to US\$ 120.5 million during the first half of 2008 compared to US\$136.7 million in the corresponding period in 2007. Of these, diamond exports amounted to US\$ 65 million in the first half of 2008 compared to US\$83.8 million in the same period in 2007. The 21 percent drop in diamond exports is attributed to the suspension of operations by Koidu Holdings. Similarly agricultural exports fell to US\$6.4 million in the first half of 2008 from US\$ 8.6 million in the same period in 2007 and accounted for only 5 percent of total exports during the review period.

19. The total value of imports during the first half of 2008 increased by 26.6 percent, amounting to US\$276.6 million compared to US\$218.4 million in the same period in 2007. The increase in imports was accounted for mainly by the notable rise in the volume and value of imported levels of food, fuel and lubricants. Imports of fuel and lubricants constituted the largest share of total imports, amounting to US\$114.5 million during January to June 2008 compared to US\$86.1 million in the same period in 2007. Food imports nearly doubled from US\$33.9 million during the first half of 2007 to US\$64.1 million during the first half of 2008.

20. As a result, the trade deficit widened to US \$152 million as at end June 2008 compared to US\$ 81.7 million in the same period in 2007.

21. Gross foreign reserves amounted to US\$ 211.4 million (equivalent of about three and half months of import cover) as at September 2008. The nominal exchange rate has remained relatively stable during the year.

(a) Domestic Revenue Performance in 2008

22. Mr. Speaker, in spite of the stepped up efforts by the National Revenue Authority to intensify revenue mobilization, domestic revenue collected as at end September 2008 was less than projected. Total domestic revenue collected during January to September 2008 amounted to Le492.7 billion compared to the programme target of Le508.3 billion. The shortfall of Le15.6 billion is accounted for mainly by the under-performance in mining revenues by Le8.9 billion; road user charge by Le6.7 billion; and revenues from MDAs by Le7.6 billion, which more than offset the better-than expected performance in income taxes of Le7.5 billion. Collections by the Customs and Excise Department was also broadly on target as the shortfall of Le13.6 billion in excise duties on petroleum products as a result of the reduction in excise duty rate, was offset by the over-performance in customs duties on imported goods and excise duty on locally manufactured goods. On current trends, it is unlikely that the end of year revenue target of Le692.7 billion (11.8 percent of GDP) will be met.

(b) Grants

23. Total grants received as at end September 2008 amounted to Le210.4 billion compared to the budgeted amount of Le218.3 billion. Of this amount, external budget support received from our Multi-Donor Budget Support Partners amounted to Le 85.4 billion, compared to the budgeted amount of Le93.4 billion. Project grants amounted to Le118.9 billion compared to the Le117.3 billion expected in the first three quarters of 2008. HIPC debt relief amounted to Le6.0 billion.

(c) Expenditure Outturn in 2008.

24. Mr. Speaker total expenditure and net lending for the 2008 Financial Year is estimated at Le1.26 trillion (21.5 percent of GDP), of which recurrent expenditures amounted to Le910 billion (15.5 percent of GDP) and capital expenditure and net lending Le351.9 billion (6.0 percent of GDP).

25. Of the total recurrent expenditures, wages and salaries amounted to Le340.2 billion (5.8 percent of GDP), compared to the budgeted amount of Le356.2 billion. The lower than budgeted wage bill is due mainly to the following factors (i) stringent controls and efforts to clean the payroll put in place by the new Government and the creation of a new Human Resource Management Office, formerly Establishment Secretary's Office; (ii) only half of the budgeted number of teachers was recruited due to ongoing efforts by the Ministry of Education, Youth and Sports to review the teachers payroll and get rid of ghost teachers; and (iii) actual pension and gratuity payments being less than budgeted.

26. Total interest payments on domestic and external debts are estimated at Le120.9 billion (1.9 percent of GDP), of which domestic interest is estimated at Le109.6 billion while foreign interest due will amount to Le11.2 billion for the year.

27. Non-salary, non interest recurrent expenditure is estimated to exceed the budgeted amount by Le16.5 billion. The overspending is on account of overruns on the procurement of fuel for the Emergency Power Programme resulting from the higher-than anticipated increase in the price of fuel.

28. Capital expenditure and net lending is estimated at Le351.9 billion (6.0 percent of GDP). Foreign –financed capital expenditures amounted to Le267.3 billion (4.6 percent of GDP) while domestically financed capital expenditures, estimated at Le86.5 billion, are higher-than budgeted, reflecting the payment of Government's contribution towards the completion of the Bumbuna Hydroelectric Project.

29. The overall budget deficit, on a commitment basis, and excluding grants, is estimated at Le569.2 billion (9.7 percent of GDP) compared to the programme ceiling of Le548.2 billion (9.4 percent of GDP). Including grants, the deficit is estimated at Le200.9 billion (3.4 percent of GDP) compared to the programme ceiling of Le185.6 billion (3.2 percent of GDP). The basic primary balance, estimated at 2.6 percent of GDP, is within the programme ceiling of 3.1 percent of GDP.

30. The budget deficit was largely financed from domestic sources. Domestic bank financing is estimated at Le127.3 billion (2.2 percent of GDP). This included the draw down on MDRI deposits at the Bank of Sierra Leone amounting to Le98.3 billion and Government borrowing from the commercial banking system of Le29.0 billion. Government reduced its borrowing from the non-bank sector by Le6.9 billion. Net foreign borrowing in the form of programme and project loans to finance the budget deficit amounted to Le77.4 billion.

V. Monetary and Financial Sector Developments in 2008

31. Mr. Speaker, the thrust of monetary operations in 2008 was geared towards containing inflationary pressures to levels consistent with high and sustainable economic growth and financial stability. In line with this objective, the growth of money supply was controlled through robust interventions, using open market operations and foreign exchange auctions. As a result, the pace of monetary expansion slowed down, with both reserve and broad money remaining within their programme targets during the first half of the year.

32. The three-month treasury bills rate declined to 14.5 percent in August 2008 from 21.3 percent in December 2007 owing to the reduction in government borrowing from the domestic banking system. However, the lending (overdraft) rate remained high ranging between 25-31 percent during the year.

33. The financial sector continued to deepen led by the expansion of the banking sector. The number of licensed commercial banks has increased to thirteen as at end October 2008. The banks have continued to open new branches with the total number of branches nationwide currently standing at fifty-three. The year 2008 also saw the opening of two more community banks in Kabala and Zimmi, bringing the total number of community banks to six. More community banks are expected to be established under the auspices of the International Fund for Agricultural Development (IFAD) while a Sierra Leone Bank for the Poor is scheduled to be established with support from the United Nations Industrial Development Organisation (UNIDO) and the Arab Fund for United Nations Development. Plans are underway to have an apex bank which will be responsible for supervision of these community banks with a view to reducing Bank of Sierra Leone's (BSL) involvement in the operations of these banks.

34. Mr. Speaker, the Sierra Leone stock exchange was granted license to operate with logistics support and capital being provided by Bank of Sierra Leone to meet the start up costs and capital requirements for the first year of operation. A License was also granted to Home Finance Company-Mortgage and Savings Company (SL) to operate as a primary mortgage dealer in the area of home financing and in this regard, the appropriate guide lines have been drawn.

35. The Bankruptcy Bill and the revised Companies Act have been finalized and will soon be tabled before Parliament for enactment. Work on the Securities Bill and the Collective Investment Schemes Bill is at an advanced stage. While the national Anti-Money Laundering Act and Combating Financing of Terrorism (AML-CFT) strategy are being prepared, the Bank of Sierra Leone has continued to implement the provisions of the existing Act. The Financial Intelligence Unit is in the process of being fully established at the Bank of Sierra Leone.

36. In view of the increasing number of financial institutions and products, the BSL has completed and forwarded to the IMF the interim financial sector development strategy, while work on the comprehensive financial sector development plan is ongoing, supported by the World Bank's Financial Sector Reform and Strengthening Initiative (FIRST) and the Microfinance Investment and Technical Assistance Facility (MITAF). As a response to the emergence of new sophisticated and complex financial products and their associated risks, BSL is enforcing the capital requirements for commercial banks and will move away from compliance based supervision to risk-based supervision.

VI. Financial Performance of Public Enterprises in 2008

37. Mr. Speaker, the poor management of several key public enterprises has been a significant drag on economic growth and job creation. Notable among these enterprises are those responsible for the delivery of public utility services including electricity, water, telecommunications, transport and port services. In view of the foregoing, Government introduced the privatization programme to privatize some of the enterprises while restructuring the operations of those that remain under Government ownership, with the objective of improving their operational and financial sustainability. Yet most of these enterprises continued to be a drain on the Government budget, either through non payment of their tax obligations and or by Government subsidizing their operations. This situation is becoming unsustainable and hence untenable. Urgent action will be taken to discontinue this practice while improving the operational efficiency of these enterprises.

38. Mr. Speaker, I would now like to briefly highlight the financial performance of the Government-owned enterprises in 2008 as well as their plans for 2009.

Rokel Commercial Bank (RCB)

39. According to the management of Rokel Commercial Bank, the increased competition in the banking sector, has considerably reduced the income base of the bank and this is making it difficult for the institution to meet its projected before tax profit of Le11.3 billion for the 2008 financial year.

40. For the first six months of 2008, Rokel Commercial Bank made a profit before tax of Le 4.4 billion compared to the projected profit of Le5.0 billion. The bank expects to earn a profit before tax of Le6.3 billion in the second half of the year.

41. The Rokel Commercial Bank is undertaking a number of activities in 2008 including the construction of a branch at Charlotte Street and the development of the VISA/Issuer product. The mobile banking unit of the bank will be operational throughout the country in 2009 and this will support the programme of taking banking to the people in the rural areas.

Sierra Leone Commercial Bank (SLCB)

42. The SLCB may earn a profit in 2008 after a very challenging 2007. Pre-tax profit as at August 2008 amounted to Le7.1 billion compared to a projection of Le5.1 billion. The bank achieved a 21 percent growth in customer deposit, representing a market share of 32 percent in 2008. Pre-tax profit is projected at Le10.7 billion for the financial year 2008. Lending to small- and medium-sized business concerns increased to Le125.5 billion in 2008 from Le99.4 billion in 2007, an increase of 26 percent. The bank intends to remain the leading bank in lending with a portfolio forecast of Le140 billion. For 2009, profit before tax is projected to increase by 15 percent to Le12.3 billion. New electronic products will be introduced

while new branches in Freetown and the provincial towns are being established. However, the balance sheet of the bank remains weak, given its level of loan loss provisions and its contingent liabilities, which is a cause for concern.

National Insurance Company (NIC) Limited

43. The National Insurance Company projects income for the year in the form of premium at Le6.2 billion, an increase of 34 percent over 2007. Profit for the year is forecast at Le780 million, which represents an increase of 64 percent over the profit recorded in 2007.

44. For 2009, NIC projects an increase of 9.3 percent in profit over 2008. Efforts will be made to continue the diversification of its investment portfolio especially in areas that could generate added income for the company and employment opportunities. A major challenge faced by the company is the high volume of outstanding premium. The company is therefore working hard to recover these premiums.

Sierra Leone State Lottery Company limited

45. Mr. Speaker, the Sierra Leone State Lottery made a loss of Le136.9 million in the first quarter of 2008 compared to a projected profit of Le360.8 million for the period. This poor performance is attributed to the entry into the market by a more aggressive competitor. The Company however projects an after tax profit of Le794.9 million for 2008 since the new management has given the company a new lease of life.

Guma Valley Water Company

46. The Guma Valley Water Company projects a profit of Le1.4 billion for 2008. Total revenue for the period January–August 2008 amounted to Le8.9 billion whereas total expenditure amounted to

Le7.4 billion, giving a profit of Le1.4 billion. The Ministry of Finance and Economic Development recently paid arrears owed to the Company amounting to Le760 million. This has greatly improved the financial position of the company. The company has been able to provide water supply to hitherto unserved areas including George Brook, Cassel Farm and Congo Market. The company is, however, facing a number of constraints including inadequate storage facilities, indiscriminate cutting of pipes by the public and an aged distribution network

47. The company plans to undertake a number of activities to improve the distribution of water. These include the application of an effective and appropriate waste and leakage control system; installation of universal metering system; and the rehabilitation of water treatment works.

National Power Authority (NPA)

48. Mr. Speaker, following the establishment of the Emergency Power Programme funded by the World Bank and the Government of Sierra Leone, electricity generation increased from a mere 5MW in 2007 to an estimated 25MW in 2008. As a result, revenue collection by the NPA improved markedly from Le1.0 billion per month in 2007 to Le3.0 billion per month in 2008. Notwithstanding the improvement in revenue collection, NPA's financial performance remains weak, stemming mainly from technical and commercial losses, which makes it impossible for the NPA to recoup its recurring expenditure. As at end August 2008 total revenue collected by NPA amounted to Le87.6 billion while total expenditure is estimated at Le90.7 billion, resulting in a net operating loss of Le3.1 billion.

49. Government will restructure the NPA and provide it with management support to ensure its operational and financial sustainability. Plans for 2009 include the construction of a 5MW

power station at Lungi for the airport and its environs and the acquisition of 200,000 meters to replace the current credit meters. As we approach the end of the Emergency Power Programme, NPA is looking for cheap standby thermal power to supplement the production of power from Bumbuna and is considering various options.

Sierra Leone Airport Authority

50. Mr. Speaker, total income earned by the Sierra Leone Airport Authority (SLAA) for the eight months ended August 2008 amounted to Le13.9 billion compared to the projection of Le17.5 billion, giving a shortfall of Le3.6 billion. The shortfall in revenue is attributed to the streamlining of operations by some airlines in reaction to the global financial and fuel crisis. The revenue situation is not expected to improve significantly for the rest of the year. Expenditure was, however, kept within budget. Notwithstanding, the net operating profit of Le 700 million recorded was far less than the projected profit of Le2.4 billion. SLAA continues to accumulate huge liabilities in the form of tax arrears estimated at Le6.3 billion and outstanding contributions to NASSIT amounting to Le290 million as at end August 2008.

Sierra Leone Road Transport Corporation (SLRTC)

51. Mr. Speaker, the Sierra Leone Road Transport Corporation appears to be liquid and proving viable as it had managed to reduce inherited debt burden from Le1.3 billion to Le100 million and has so far been able to maintain 40 road worthy buses. Unlike other public enterprises, the corporation has also not requested any subvention from Government for the past two years. Profit before tax for the period January-June 2008 is estimated at Le604.9 million.

For the second half of the year the corporation projects a profit of Le364.9 million. The corporation is planning to expand its scope of operation in 2009 by opening new routes and setting up depots in Bo, Kenema and Makeni.

52. However, the corporation is unlikely to achieve the revenue forecast for 2008 due to the poor state of roads in the provinces, lack of genuine spare parts in the country and the huge debt inherited.

Sierra Leone Postal Services Limited (SALPOST)

53. Mr. Speaker, while revenues are declining, SALPOST continues to face very high operating costs, high level of indebtedness, and inadequate or no investment. For the first half of 2008, SALPOST recorded a total income of Le741.8 million compared with total expenditure of Le775.9, thus incurring a loss of Le34.1 million. For the second half of 2008, total revenue is projected at Le572.9 million while expenditure will be cut down to Le509 million to give a profit of Le63.3 million. In recognition of the deplorable financial status of SALPOST, Government has been providing financial assistance to SALPOST to meet its salary and other operational costs. Government has been able to secure the support of Universal Postal Union through the UNDP to restructure the Post Office and make it more competitive. Plans for 2009 therefore include the continued implementation of the staff rationalization programme, introduction of technology in the postal service, and diversification of products to take advantage of its huge infrastructure of service outlets across the country.

Sierra Leone Telecommunications Company

54. During the first six months of the year, the management of SIERRATEL was engaged in streamlining the operations and improving the infrastructure of the company. The management

projects a turnover of Le 19.67 billion and profit before tax of Le 976.2 million for 2008. In 2009 Sierratel will complete the CDMA project and rehabilitation of the whole network.

Sierra Leone Ports Authority

55. The SLPA made a loss of Le 1.14 billion during 2007. However, there was a total turnover of Le 17.8 billion and an operating profit of Le 2.1 billion in the first half of 2008. There are plans for a major transformation of the SLPA under an agreement signed between the Government of Sierra Leone and the World Bank. Some of the core activities will be transferred to private operators. Studies for the reform of the Ports have been completed and a Ministerial committee to be chaired by the Minister of Finance and Economic Development has been formed to drive forward the reform process.

56. Mr. Speaker, having reviewed developments in the economy in 2008, let me outline Government's policies and programmes for improving public service delivery, preserving macroeconomic stability and promoting sustainable economic growth and poverty reduction in 2009.

VII. Improving the Delivery of Public Services

57. Mr. Speaker, the business of Government is to transform public finances into public services. In recent years, several reforms have been undertaken in various areas to improve the efficiency and transparency in the delivery of public services. We have taken bold reforms in budget planning and execution, public procurement, public accounting and expenditure tracking, internal and external audit systems, public service reforms and anti-corruption. Even so, there continues to be a need for deeper reforms and strengthening capacity for effective and efficient delivery of basic services. Let me therefore review recent progress in these areas, and lay out the additional reforms which are planned for the coming financial year.

58. Mr. Speaker, the key reforms to be undertaken for improved service delivery in 2009 will focus on (i) strengthening public financial management, (ii) deepening public service reforms; and (iii) intensifying anti-corruption efforts.

(i) Strengthening Public Financial Management

59. Mr. Speaker, Government has been implementing public financial management reforms over the past few years and also made significant improvements in some areas including mechanisms by which public funds are allocated and disbursed and the curtailment of opportunities for financial mismanagement and corruption. However, public financial management has been fragmented and uncoordinated.

60. I am therefore delighted to inform the House that Government has revitalised its commitment to public financial management reforms by adopting a new Integrated Public Financial Management Reform Programme (IPFMRP). The IPFMRP will address issues of coordination in public financial management reform process by applying a sector-wide approach. The programme provides for further training and capacity development of staff involved in financial management functions, at both the central government and local council levels. The Government is in active discussions with our development partners to finalize the sequencing and costing of the activities of the plan, and to seek the required financial support.

61. At the request of the Ministry of Finance and Economic Development, the IMF also reviewed budget preparation and execution, identified issues in implementing the legal framework and recommended priority reforms to be implemented over the next three years. The following are the key elements of the programme:

(a) Reviewing the Legal and Regulatory Framework for Public Financial Management

62. A key activity to be undertaken in 2009 is the review of the legal and regulatory framework for public financial management. Necessary reviews of the Government Budgeting and Accountability Act (2005), the National Public Procurement Act (2004), the Payment Systems Act (2007), and the Local Councils Financial Regulations will be conducted in 2009. These reviews will align the Acts with new government processes and changes in financial reporting procedures, with particular reference to the Integrated Financial Management Information System (IFMIS). A task force has also been set up to review the Local Government Act (2004), with a view to strengthening accountability and transparency in the use of monies transferred from central government to local councils.

(b) Improving Budget Planning and Budget Execution

63. Mr. Speaker, effective use of public finances begins with the budgeting process, which places funds to areas where they are most needed. In this context, Government continues to refine and deepen the MTEF process with emphasis on strategic planning and program costing to ensure that budget activities are consistent with the PRSP. This year, the Ministry of Finance and Economic Development has begun requesting MDAs to prepare program-based budget estimates, as opposed to input-based submissions. This action has helped to align MDA's strategic plans to their budgets, thereby ensuring that funds are directed to national poverty reduction priorities.

64. During the year, the budget process was made more participatory, transparent and accountable. The quarterly releases of funds to MDAs were gazetted for the information of the general

public to empower civil society to probe into the utilization of public funds. Henceforth, the costed strategic plans of selected MDAs will also be published to improve transparency and oversight.

65. Mr. Speaker, in recent years, budget execution has been hampered by MDAs that have consistently entered into contracts without approval by the Ministry of Finance and Economic Development. This has led to delays in processing payments resulting in the accumulation of payment arrears. The Ministry of Finance and Economic Development is determined to put a stop to this practice. Therefore, MDAs must ensure that all contracts and LPOs are approved by the Ministry of Finance and Economic Development before forwarding them for payment.

66. Mr. Speaker, to improve independent oversight of the budget, civil society organisations will be encouraged to participate more actively in budget planning and monitoring. The Government Budgeting and Accountability Act (GBAA) 2005 assigned an oversight role to District Budget Oversight Committees (DBOCs), which has improved participation and facilitated transparency of the budget process. The DBOCs together with other civil society organizations are now fully empowered to monitor service delivery in their respective communities.

67. The major challenge in the implementation of the MTEF is to improve the capacity of the District Budget Oversight Committees to effectively perform their functions as required by the law. Going forward, the DBOCs will be provided with further training on budget procedures and adequate logistics to facilitate the effective monitoring of service delivery at the local communities. The annual reports of DBOCs will also be submitted to this Honourable House for necessary action. This will not only promote accountability but also complement the efforts of the ACC in ensuring zero tolerance for corruption at the community level.

(c) Extending the coverage of the Integrated Financial Management System (IFMIS)

68. Mr. Speaker, during 2008, MOFED rolled out the expenditure and purchasing module of the IFMIS to the Ministry of Defence and the Prisons Department in addition to the six other MDAs already rolled out during 2005-07. The IFMIS improves efficiency in budget execution by allowing MDAs to perform financial and accounting functions on site, thereby cutting time and effort spent in administration. The IFMIS also allows key personnel in MDAs to readily view reports online, which facilitates strategic management decisions and efficient resource allocation. The Ministry will therefore continue to roll-out these modules to other MDAs as and when funds are available for the procurement of additional user licenses. To improve commitment control, all local purchase orders from MDAs connected to IFMIS must be issued from the purchasing module of the system.

(d) Strengthening Public Procurement

69. Mr Speaker, an effective public procurement system helps prevent inefficient and corrupt use of public money. Much progress has been made in strengthening our public procurement system in recent years. A standard procurement data management system has been installed in key ministries while many public officials have been trained in procurement. In 2008, the National Public Procurement Agency (NPPA) has upgraded its website and reporting capacity. It is also my pleasure to report that this year, 23 of the 29 government agencies required to submit annual procurement plans did so. This was an improvement on the 18 which submitted procurement plans last year.

70. However, actual compliance with official procurement rules remains patchy. In 2009, Government will focus on ensuring full compliance by public bodies with the procurement law. In line with

the integrated PFM programme, further training will be provided for NPPA staff and key procurement officials in other agencies. Attention will be given to the development of a system of professional certification for procurement specialists. In addition, a register of suppliers and a list of prices of standard commodities will be established on a regular basis.

(e) Implementing Public Expenditure Tracking Surveys

71. Mr. Speaker, to ensure that government expenditures are translated into actual services, Government conducts regular Public Expenditure Tracking Surveys (PETS). The PETS is a robust and systematic method by which the government can regularly review its performance in the delivery of public services. The survey seeks to ascertain the proportion of centrally disbursed resources that are translated into tangible goods and services for our citizens at the service delivery facilities. With support from our development partners, particularly DFID and the UNDP, another survey was conducted in 2008 covering the distribution of seed rice to farmers, textbooks to primary schools and essential drugs to health centres as well as an assessment of the civil works carried out on the construction of schools through out the country. As usual, the report of the findings, which is being prepared, will be disseminated widely to the general public after cabinet consideration.

72. Mr. Speaker, in order to ensure the implementation of previous PETS recommendations, a Cabinet Sub-Committee has been established to monitor the implementation of the recommendations contained in the PETS reports. This committee is chaired by the Honourable Vice President and includes myself. Looking ahead, Government remains committed to the regular conduct of PETS and would appreciate the continued support of our development partners in the resolve we have undertaken to improve accountability in the use of public resources.

(f) Improving Government Accounting and Reporting

73. Mr. Speaker, in line with Government's avowed commitment to transparency and accountability, the Accountant General's Department has now cleared the backlog of Public Accounts. Fully audited public accounts are now available for 2004, 2005 and 2006. The Accountant General has also been able to prepare the 2007 Annual Public Accounts on time. The Public Accounts for 2007 are now available and currently being audited by the Auditor-General. Let me assure this House that henceforth this will be the norm rather than the exception. The Accountant-General's Department will also continue to publish in the Government gazette, monthly statements of receipts and payments into the Consolidated Fund to enhance transparency of Government financial operations.

74. To provide a comprehensive position of Government financial operations, all subvented agencies and project implementation units including tertiary educational institutions are required to provide to the Accountant General, quarterly statements of income and expenditure to facilitate the reconciliation of the fiscal and the monetary accounts of Government. Failure to comply with this requirement will result in delays in the payment of subventions and processing of withdrawal applications.

(g) Strengthening Internal and External Audit

75. To improve oversight of MDA's expenditures, additional internal audit units will be established and made functional in the remaining MDAs. Further training will be provided to staff of the existing internal audit units. Finally, the Audit Service of Sierra Leone is to be strengthened through the installation of the IFMIS, the recruitment of additional senior and mid-level staff, and participation in staff exchange programs with sister audit institutions abroad.

(h) Supporting Fiscal Decentralization

76. Mr. Speaker, the main objective of Government's decentralization program was to improve service delivery in the rural communities. The devolution of functions and fiscal decentralization are key components of this programme. Since 2005, eighteen MDAs have devolved various functions to local councils. A review of the programme by the Ministry of Finance and Economic Development and the Ministry of Internal Affairs, Local Government and Rural Development in collaboration with our development partners concluded that service delivery is improving in various localities. This, notwithstanding, significant challenges remain that need to be addressed as we move into the post transition period of 2009-2012.

77. One of the key challenges is the weak revenue mobilization capacity of local councils, which is undermining service delivery at the local level. Currently, revenue collection by local councils contributes less than 30 percent to their total resource envelope. In view of this situation, the UNDP is providing support for the development of a property cadastre and business licenses database for the Kenema City and District Councils, respectively. Similar support is being provided to Bo and Freetown City Councils by the multi-donor funded IRCB Project. The objective is to support all Local Councils establish a complete database of all their sources of revenue in the medium-term.

78. Another related issue that is hampering revenue mobilization by local councils is the tension between the Local Councils and the Chiefdom Councils, resulting mainly from lack of clarity between the Local Government Act (LGA) 2004 and other legislations supporting the establishment of Chiefdom Councils. The review of the LGA 2004 Act is expected to address this issue. Also, the Ministry of Finance and Economic Development undertook a study on chiefdom finances

in a sample of selected chiefdoms to have a better understanding of fiscal issues at the chiefdom level. The overall conclusion of the report was the need for the development of a policy for financing chiefdoms. In this regard and for the first time, there will be a clear budget line for support to chiefdom administration as a demonstration of government's commitment to strengthen governance at the local level.

79. Whilst efforts are being made to improve on their revenue mobilization, greater emphasis will be placed on prudent use of resources at the disposal of Local Councils. In this regard, financing from central government will largely continue to be grants tied to specific expenditure assignments. Government will continue to work with its development partners to strengthen the decentralisation process by providing support in various areas, including revenue mobilization, financial management, development planning, budgeting, and expenditure management.

(ii) Strengthening Anti-Corruption Efforts

80. Mr. Speaker, Government remains firmly committed to zero tolerance for corruption, which as we all know, hinders the effective delivery of public services. As part of this commitment, the Anti-Corruption Act (2002) was revised to make it more potent and a five-year National Anti-Corruption Strategy (NACS) was also launched this year. The NACS has two principal objectives: first, to bring about improvements in the quality, quantity and process of delivery of public services; and second, to create a public service that is effective in preventing and confronting corruption. The strategy also requires all MDAs to establish anti-corruption units to prevent the misuse of public funds. The ACC will also develop and implement a framework for systems and process reviews in MDAs.

(iii) Furthering Public Service Reform

81. Mr. Speaker, Government took decisive actions this year to verify and address anomalies in the Government payroll. Furthermore, payroll verification exercises were undertaken in 2008, focusing on the teacher and civil service payrolls. Similar exercises are planned for both the police and military.

82. In addition, the Human Resources Management Office was launched and is now expected to design policies to improve civil service efficiency and the delivery of public services. The HRMO will identify the skills gap in the civil service and develop an action plan to promote the recruitment of needed professional and technical staff. Furthermore, human resource specialists will be appointed into key Ministries to help manage staff training and development.

VIII. Improving the Investment Climate

83. Mr. Speaker, achieving our economic growth and poverty reduction targets requires that we provide a conducive climate for private sector investment and business activity. In recent years, the Government has taken numerous measures to promote private sector activity, including the establishment of the Sierra Leone Investment and Export Promotion Agency (SLIEPA) as a “one stop shop” for investors; the implementation of key trade-promotion activities under the Integrated Framework, and the modernization of the legal and regulatory framework.

84. It is therefore with pleasure, Mr. Speaker, that I report to this House that Sierra Leone has improved its ranking this year by 7 places in the “Doing Business” survey conducted by the World Bank. Encouragingly, these improvements show that Government policy in this area has been successful. As we would expect on the basis of

last years' reforms, the survey reports that in the last twelve months, the ease with which a business can be started and property registered has improved dramatically, investor protection is assured, and the ease with which shareholder litigation can be undertaken has also been enhanced. Overall, the business environment in Sierra Leone now stands in good comparison to that of our neighbours, ranking 7th among our 15 ECOWAS partners, and 1st in the Mano River Union.

85. However, this is no time for us to rest on our laurels. This challenge is particularly urgent today, as we aim to sustain economic growth and poverty reduction in the face of a gloomy international economic environment. In 2009, the focus will be on increasing access to finance, and improving business regulatory environment especially in areas where the country is ranked poorly in the Doing Business Report as well as improving physical infrastructure.

(a) Improving Access to Finance

86. Mr. Speaker, access to affordable finance by small, medium and large businesses is critical to national economic development. Physical barriers to financial sector development posed by weak infrastructure are exacerbated by institutional, administrative, and legal obstacles involved in conducting banking and financial transactions. This has resulted in high cost of credit to the private businesses, which constrains the opening of new businesses and the expansion of existing ones. To address these obstacles, the Bank of Sierra Leone, prepared an interim financial sector development strategy in 2008, as a precursor to the ongoing preparation of a comprehensive 5-year Financial Sector Development Plan. The interim financial sector strategy as stated earlier, focuses on improvements in three areas of the financial system.

87. Firstly, Government aims to improve the efficiency of operations of commercial banks and hence reduce the cost of credit provided by these institutions. Commercial bank lending in Sierra Leone is constrained by serious difficulties in assessing credit risk. As a result, commercial banks are plagued with a high proportion of bad loans, which in turn compels them to charge very high lending interest rates. To ameliorate this problem, a feasibility study for a credit reference bureau has been undertaken by the Bank of Sierra Leone aimed at the establishment of a credit bureau and credit reporting system in the not too distant future. Steps will also be taken to reduce credit risk by establishing moveable properties as securities for bank loans. In addition, to ensure financial stability in the face of tough international conditions, capital requirements for banks are being increased, and more intensive, risk-oriented supervision by the Bank of Sierra Leone is being instituted.

88. Secondly, Government's attention as regards the financial sector development plan is focused on improving the outreach and regulatory environment for microfinance institutions (MFIs) and community banks. These institutions provide financial services to rural populations, and small businesses. Considerable progress has already been made toward drafting prudential and non-prudential regulations for (MFIs) and the highest priority attached to implementing these regulations. To expand access to finance in the rural areas, BSL will facilitate the opening of additional community banks with support from IFAD. The Sierra Leone stock exchange is expected to be fully operational by 2009. It is also expected that the capital market legislation will be finalized and enacted in 2009

89. Finally, the strategy looks at improving the laws, regulations, and oversight institutions in the financial sector as a whole. A thorough review is to be undertaken of the key financial sector legislations, i.e., the Bank of Sierra Leone Act, the Banking Act, Other Financial Services Act, and the Anti-Monetary Laundering Act. Government will further recapitalize Bank of Sierra Leone in 2009 to improve the effectiveness of its operations.

(b) Improving the Legal and Regulatory Environment for Business

90. Mr. Speaker, Government aims to ensure that Sierra Leone's legal and regulatory framework is conducive to the establishment of private business, and that it effectively enforces contracts, safeguards the profits of entrepreneurs, and protects the rights of consumers. In this regard, Government is also actively addressing the regulatory environment of private business as a matter of urgency. A new intellectual property law compliant with international standards has already been drafted, and the legal framework for a set of commercial courts has been established. In the coming year, new Acts relating to Companies, Bankruptcy and Commercial Use of Land will be finalised and enacted, leading to more secure and efficient business operations. There are also plans to review the labour laws, which are currently a disincentive to both domestic and foreign investors.

(c) Improving physical infrastructure

91. Mr. Speaker, the poor state of physical infrastructure in Sierra Leone is a major impediment to growth and poverty reduction. It raises production costs and closes off potential markets. Government has taken firm action to address this problem in the past year, by establishing the Emergency Power Programme to provide reliable energy to Freetown. The Bumbuna Hydroelectric Dam is expected to begin supplying power during 2009. Plans are underway for construction of another dam and additional water supply systems. Moreover, several trunk and feeder roads will be rehabilitated and reconstructed while the construction of some major roads will also commence in 2009

IX. Medium-Term Macroeconomic Framework, 2009-11

92. Mr. Speaker, Government remains committed to maintaining a stable macroeconomic environment, promoting sustained and broad-based economic growth and pursuing implementation of structural reforms. The medium-term macroeconomic objectives

are to sustain growth, reduce average inflation to single digits and maintain gross foreign reserves at a minimum of 3.5 months of import cover. Increasing public and private investment and ensuring a more reliable electricity supply are expected to facilitate the attainment of the above objectives.

93. After a projected growth rate of 5.5 percent for 2008, real GDP is projected to grow in the range of 5.5 to 6.0 percent for the next three years. Agriculture will remain Sierra Leone's major economic activity, and is expected to record robust growth in the medium-term, due to planned support to the sector by Government and its development partners. The manufacturing and services sectors are also expected to expand in the medium term as the benefits of efforts to improve the power supply, road network and business regulatory environment exert their influence on private sector investment. Reflecting the current and projected trends in oil and food prices, inflation is projected to return to single digits in 2010.

94. Fiscal policy in the medium-term will focus on enhancing domestic revenue mobilization and improving expenditure management to reduce the domestic primary deficit. Government expenditure will be re-oriented to step up investment in agriculture and infrastructure to support economic growth and poverty reduction. Monetary policy will complement fiscal policy in containing inflationary pressures.

95. Mr. Speaker, with specific reference to FY 2009, real GDP is projected to increase by 5.5 percent. Output growth would continue to benefit from improved supply of energy, ongoing Government initiatives to increase agricultural productivity and higher public investment in infrastructure. Inflation is expected to ease but will remain in the lower double digit due to lingering effects of the world oil and food price crisis. Foreign exchange reserves

expected to slowly recover to at least 4 months of import cover in 2009. The nominal exchange rate is expected to move in relation to the difference between the national inflation rate and that of our major trading partners. These targets will be achieved through the implementation of prudent fiscal and proactive monetary policies. Hence, fiscal policy in 2009 will aim at consolidating macroeconomic stability and laying the basis for sustained economic growth, while monetary policy will continue to aim at mitigating second round effects of the food and fuel price surge.

(a) Monetary and Exchange Rate Policies in 2009

96. Mr. Speaker, the Bank of Sierra Leone will continue to strengthen its monetary policy framework to limit the threat of higher inflation. The Bank will utilize its stock of additional securities to mop excess liquidity in the financial system through open market operations. Hence, reserve money is projected to grow at 11.6 percent; sufficient to accommodate the continued strong expansion of private sector credit, projected donors' inflows, the use of MDRI resources, and the rebuilding of international reserves to 4 months of import by end-2009.

97. Plans are also on course to see the introduction of new monetary policy instruments especially longer maturing government securities. It is also expected that a fully operationalised and efficient inter-bank market and Repo will replace the discount window. With technical assistance, the Bank will ensure the operationalisation of the Electronic Book Entry System to enhance the payments system.

98. The BSL will seek to increase exchange rate flexibility to allow for appropriate exchange rate responses to external shocks. In particular, the BSL will examine the possibility to participate in the foreign exchange market also as a buyer, not only as a seller.

This would allow the BSL to more actively manage its foreign exchange reserves. The BSL will continue to seek to balance treasury bills sales, foreign exchange auctions, and potential foreign exchange purchases for its optimal monetary policy mix.

(b) Public Debt Management Policy in 2009

99. Mr. Speaker, after having reached HIPC completion point in December 2006, Sierra Leone continues to maintain prudent debt management practices to avoid the relapse into unsustainable debt level. As a result, total external debt stock stood at US\$599 million as at end September 2008. The bulk of the debt is owed to external commercial creditors that account for about US\$254 million. The delivery of debt relief by both multilateral and bilateral creditors has reduced annual debt service payments from an estimated US\$45 million in recent years to US\$13 million for 2009. To enable external commercial creditors deliver their share of debt relief under the enhanced HIPC Initiative, Government has approached the World Bank for funding under the IDA Debt Reduction Facility. I am pleased to inform you that the Bank is at an advanced stage in approving the financing package to hire a financial and legal firm, which will assist Government to audit the claims and implement the programme. While it is expected that the recruitment process of the firm will be concluded by early 2009, the actual implementation of the IDA-supported debt buy-back programme will take place by early 2010.

100. Mr. Speaker, post-HIPC debt management is an integral part of the overall macroeconomic management. To assess the medium to long term outlook of Sierra Leone's external debt situation, Government, in collaboration with the UK-based Debt Relief International and the West African Institute for Financial and Economic Management, conducted a Debt Sustainability Analysis

(DSA) in April this year. The DSA shows that Sierra Leone's external debt situation remains sustainable in the medium to long term. However, the country is still faced with a moderate risk of debt distress if there is a serious external shock. With this rating, Sierra Leone is now eligible to access financing of IDA and ADF resources on the basis of 50 percent grants and 50 percent highly concessional loans with grant element of over 70 percent. To maintain external debt sustainability, Government will continue to borrow loans that are highly concessional with grant element of at least 35 percent and these loans will be applied mainly to the productive sectors and for infrastructural development.

101. Mr. Speaker, as Sierra Leone continues to benefit from various external debt relief initiatives, the only true challenge that remains for achieving overall debt sustainability is the mounting domestic debt in the face of a narrow revenue base. Domestic debt has increased by more than 50 percent, from Le835 billion in 2000 to Le1.27 trillion in 2008. The increase in domestic debt has largely been caused by year-in and year-out shortfalls in domestic revenue coupled with delays or shortfall in external budgetary support, which compelled Government to resort to bank financing to meet non-discretionary and priority expenditures. Domestic interest payments on Government's debt instruments represent about 20-24 percent of domestic budget revenue.

102. To alleviate the domestic debt problem, Government has taken certain policy steps that are aimed at restructuring existing debt in order to reduce debt service obligations and to maintain an optimal debt level. The policy, which is already being implemented, includes, clearing of arrears to domestic suppliers; lengthening the maturity profile of the securities by introducing 182, 273, and 364-days securities and a gradual introduction of longer term instruments- 2, 3 and 5 years treasury notes.

103. Mr. Speaker, upon assumption of office as Minister of Finance and Economic Development, one of the challenges we face as a Government is the outstanding payments of large sums of claims owed to private contractors by MDAs, spanning from 2005 to 2007, amounting to about Le85.4 billion. Therefore, in the budget statement I presented to you last year, Government directed the Auditor General to institute a special audit exercise to ascertain the eligibility of each claim. The Auditor General submitted her report in August this year and Cabinet has fully endorsed the recommendations of the report, which are now being implemented. Of the total claims of Le85.4 billion, Le53 billion were duly verified and deemed eligible for payment. I am pleased to inform you that Government, with the support of the European Commission, will settle up to Le20.0 billion this year and the remaining amount will be paid in the next two to three years. In addition, Government also owes other domestic creditors, whom we are negotiating with aimed at arriving at an affordable amortization plan that could be accommodated during the 2009 financial year.

104. Mr. Speaker, one of the key challenges of the Government is to improve the financial viability of state owned enterprises. To achieve this, Government must control the use of public utility services and should remain current in paying utility bills. In December 2007, Government reached a cross-debt settlement arrangement with SIERRATEL and will conduct similar arrangements with Guma Valley Water Company and Sierra Leone Airport Authority as soon as their respective tax liabilities are determined. Furthermore, during this fiscal year, Government took an exceptional step to bail out SALPOST through the extension of a soft loan to enable the management to pay salary arrears. The total bail-out amount was Le773.8 million and it is expected that SALPOST will repay the loan over a period of two and half years.

105. Mr. Speaker, given the growing importance of maintaining prudent debt management, the African Development Bank has provided funding to continue to build debt management capacity guided by a clearly defined legislative framework. In light of the above, Government will embark on formulating a comprehensive post-HIPC Loans and Debt Management legislation that will guide borrowing processes by both national, and local Governments and parastatals as well as provide reporting requirements for external borrowing by private entities.

X. The Budget Profile for the Financial Year 2009

106. Mr. Speaker, please permit me, against this background, to present to this Honourable House, budget projections for the financial year 2009.

(a) Revenue Projections for Financial Year 2009

107. Mr. Speaker, total revenue including grants for the financial year 2009 is projected at Le1.25 trillion. Domestic revenue is projected to increase to Le824.0 billion (12.2 percent of GDP) in 2009 from Le692.7 billion (11.8 percent of GDP) in 2008. Total grants are projected at Le425.9 billion (6.3 percent of GDP).

108. Of the total domestic revenues, income taxes are projected at Le230.8 billion (3.4 percent of GDP). Of this, corporate taxes will amount to Le72.3 billion while personal income taxes will contribute Le120.1 billion. Customs and Excise duties are projected at Le458.8 billion (6.8 percent of GDP), of which import duties will amount to Le327.9 billion, excise duty on petroleum products, Le88.4 billion, excise duty on locally manufactured goods, Le15.1 billion, and domestic sales tax, Le21.5 billion. Freight Levy is projected at Le6.0 billion.

109. Revenue from the mining sector comprising royalties on bauxite and rutile and mining licenses is projected at Le29.2 billion. Fisheries royalties and licenses will amount to Le5.7 billion. Collections from other Government Departments are projected at Le38.8 billion. Dividends from parastatals are expected to amount to Le4.4 billion. Road User Charges and Vehicle licenses are projected at Le56.2 billion.

110. Of the total grants, external budget support from our multi-donor budget support partners is programmed at Le188.2 billion, while HIPC debt relief will amount to Le12.8 billion. Project grants are projected at Le203.3 billion.

Revenue and Tax Policies for 2009 Financial Year

111. Mr. Speaker, to achieve the revenue targets specified above, Government will employ a number of measures to improve tax administration and broaden the tax base. Let me hasten to state that given Government's commitment to provide a business friendly environment, no new taxes will be introduced in 2009. Instead, efforts will be geared towards enforcing the provisions in the existing tax legislation with the aim of eliminating tax evasion and avoidance. In addition, Government will review the existing tax structure to further improve the business climate in Sierra Leone relative to our neighbouring countries.

112. Accordingly, in 2009, the NRA will appropriately apply the policy measures adopted in the 2007 and 2008 Finance Acts, especially in the areas relating to the transfer of all off-budget revenues to the Consolidated Revenue Fund. In addition, the

improved efficiency from the modernization plan of the NRA, especially the automation of customs operations, the introduction of the Tax Payer Identification Numbers and the establishment of the Domestic Tax Department will be key areas of focus.

113. Mr. Speaker, it is the desire of Government to stimulate our domestic manufacturing sector, which has been going through very challenging times, leading to the significant decline in both capacity utilization and new investment over the past two decades. A very efficient, competitive and robust domestic manufacturing sector is vital to sustainable economic growth, employment creation and poverty reduction.

114. Mr. Speaker, Honourable Members will recall that I announced in the 2008 Budget Speech that the Goods and Services Tax (GST) will come into effect in January 2009. A considerable amount of preparatory work has been completed and the GST law is being finalized. However, there has been slippage against the target timeline, particularly with regard to finalizing the legislation. The introduction of the GST requires a massive public education programme and this cannot be done in the absence of the appropriate legislation. In view thereof, I propose that the introduction of GST will take place by mid 2009. The introduction of the GST will address some of the controversial tax related issues faced by domestic manufacturing industries.

115. Mr. Speaker, we are also aware that certain raw materials for some manufacturing industries are in the form of finished intermediate or finished products, which can be sold directly to consumers. As such, over the years, companies whose raw materials fall under this category have been paying duty rates applicable to

intermediate or finished products, which is higher than the duty rate of 5 percent applicable to raw materials and capital goods. To ensure fairness and encourage domestic production, where goods are imported as raw materials and it could be proved that they are being used solely for that purpose, they would attract the duty rate of 5 percent applicable to raw material imports.

116. Mr. Speaker, apart from excise duty on bulk imported petroleum products, excise taxes on other goods such as tobacco products and alcoholic beverages are levied on an “ad valorem” basis (i.e on the value of the goods). The practice throughout the world is that excise taxes are levied on a specific basis (i.e per unit of the item consumed). The rationale for this is that the tax is imposed in direct relation to the harmful or anti-social element of the product being taxed. For example, typically, excise duty will be imposed on the quantity of alcohol in a beverage rather than on the value. It is also transparent and easier to administer.

117. Mr. Speaker, I am therefore proposing the introduction of a specific excise duty on alcohol and alcoholic beverages. Pending the full introduction of alcohol specific excise taxes, I propose the following excise regime for locally manufactured and imported alcoholic beverages.

118. Locally manufactured and imported beverages with alcoholic content of less than 10 percent will attract excise tax of 30 percent while those with 10 percent and above alcoholic content, the excise tax is 40 percent.

119. Mr. Speaker, Honourable Members, in an effort to ensure the availability of cement for rehabilitation and reconstruction activities in the post conflict period, particularly at a time when the capacity

of the local producers was not sufficient to meet the high demand, import duty on imported cement was reduced from 20 percent to 10 percent in the 2006 budget as a short-term measure. However, with the upgrading of the capacity of our local producers to meet the current demand for cement, and also recognizing government's commitment to providing an investment friendly economy that will create employment opportunities, especially for the youth, and the need to encourage domestic production, I am proposing the restoration of import duty for cement to its original rate of 20 percent. The raw material used for the production of cement will continue to attract a duty rate of 5 percent.

120. Mr. Speaker, motor cycles are now an increasingly important mode of personal and commercial transportation particularly for the less well-off, in both the rural areas and many urban centres. It is proposed that the import duty on motor cycles be reduced from the current duty rate of 20 percent to 10 percent to encourage the use of smaller and more energy efficient motor cycles and to facilitate the regularization of licensing, reduce the high incidence of smuggling and subsequent non-registration of motor cycles, which has led to a loss in revenue.

Modern Customs Legislative Framework

121. Mr. Speaker, Government has been undertaking an extensive Rationalization and Modernisation Programme of all activities undertaken by the National Revenue Authority. In many areas, policies, procedures and operational activities have been based upon historical customs legislation carried over from colonial times. Current legislation is antiquated, irrelevant in the modern trading world, and does not set a solid legal foundation for the development of a modern customs services necessary to support sustainable economic development in the country.

122. Throughout 2008, extensive work has been undertaken by the Customs and Excise Department of the National Revenue Authority, with the assistance of donors, to produce a comprehensive new draft legislative framework to cover customs operations in Sierra Leone. The technical work is now complete and accordingly, I intend submitting to the House during the 2009 Parliamentary session a proposed new customs legislative framework consisting of a new, modern Customs Act, associated Customs Regulations, and a replacement Customs Tariff Act.”

Valuation and Classification of International Goods for Customs Purposes

Valuation

123. Mr. Speaker, international goods presented to the Customs for clearance purposes are subject to international rules governing both the classification and valuation of goods for customs purposes. These rules are laid down by international organisations, namely the World Trade Organisation and the World Customs Organisation.

124. The customs value of international goods crossing our borders has been determined using the historical customs valuation methodology, known as the Brussels Definition of Values (BDV). The BDV methodology has been replaced internationally by a new and more relevant methodology which is contained within Article VII of the World Trade Organization General Agreement on Tariffs and Trade 1994 and is commonly referred to as WTO – GATT Rules on Customs Valuation. As part of the modernisation of customs services in our country, it is intended, with effect from 1st March

2009 to use the WTO – GATT Rules on Customs Valuation as the basis of determining the value of goods for customs purposes. The National Revenue Authority will embark upon a public awareness program to ensure international traders and other stakeholders are aware of the new valuation rules, prior to their implementation. Appropriate legislative amendments giving effect to this will be included in the 2009 Finance Bill accompanying this Address.

Tariff Classification

125. Mr. Speaker, Schedule 1 of The Customs Tariff Act, 1978 (No.16 of 1978) contains the “Common External Tariff” of Sierra Leone which has been amended many times over the last thirty (30) years. It is now impossible for traders and the general public to purchase or indeed view a copy of the “current” legal Customs Tariff of Sierra Leone. This situation is untenable as it creates uncertainty and confusion in revenue customs clearance matters and undermines the accuracy of our national trade statistics. It is essential this situation be urgently rectified so as to create a solid legal and transparent foundation upon which goods are classified for customs purposes.

126. Accordingly, I intend to consolidate and replace the “Common External Tariff” of Sierra Leone with a new “Common External Tariff” based upon the World Customs Organization’s 2007 Harmonized Commodity Classification and Coding System (referred to as the 2007 HS Tariff), suitably adapted to meet this country’s international obligations and economic needs.

127. Technical work to give effect to this will commence immediately as a priority, and I intend to present to the House during the 2009 Parliamentary session a replacement “Customs Tariff Act” with a new “Common External Tariff” for Sierra Leone, based upon the WCO 2007 HS Tariff” with effect from 31st March 2009.

Duty Free Concessions

128. Mr. Speaker, Honourable Members, the granting of duty free exemptions has always been fraught with difficulties due to the degree of fiscal implication envisaged and the volume of diverse requests made by all sectors of our livelihood for these exemptions. Duty exemptions are inescapable as we cannot renege on our contractual obligations entered into with our development partners, NGOs and the private sector. I have followed closely the trend of duty exemptions and therefore intend to review the current policy measures to properly regulate the intended beneficiaries.

129. Mr. Speaker, duty free concessions especially to the Non Government Organisations are Government’s contribution to their effort to assist in delivering basic services. As partners in this effort, we need to share information and align our individual objectives. We need information about activities by these NGOs and their impact in the communities they serve.

130. With immediate effect, to qualify for duty free concession, all NGOs must now provide the Ministry of Finance and Economic Development with their work plans for the ensuing year, quarterly reports on their activities in the country, schedule of yearly import requirements which must be in line with their annual work programme, and audited financial statements for the previous programme year.

131. Mr. Speaker, Hon. Members, Government has also entered into agreements with the private sector with the view of stimulating economic growth. These agreements cover sectors like; Mines, Fisheries, Manufacturing and Agriculture.

132. Mr. Speaker, most of the mining agreements entered into do not reflect international standards and key policies that affect the mining sector as the current fiscal regime and licensing system. It is therefore clear that this sector needs a review if the full benefits possible are to accrue to the country. Government has accordingly set up a Task Force to review all Mining Agreements. The Task Force has from time to time report on their activities and I am pleased to inform this Honourable house that negotiation between Government and Mining Companies has already commenced. We hope to conclude these negotiations by the end of this fiscal year and implement the provisions accordingly.

133. Mr. Speaker, Honourable Members, in other cases some MDAs have entered into agreements without the consent of the Ministry of Finance and Economic Development to determine the fiscal implications. Some of these agreements have granted concessions and these had led to unfair competition which affects economic growth. These agreements will therefore be reviewed by sectors in order to harmonise their respective provisions that will accrue benefit to this country.

Clearing and Forwarding

134. Mr. Speaker, Government has decided that all clearing and forwarding activities on behalf of Ministries Departments and Agencies of Government should henceforth be carried out by the Sierra Leone National Shipping Company.

(b) Expenditure Priorities and Allocations for the Financial Year 2009

135. Mr. Speaker, the 2009 budget will support the priority sectors identified in the second Poverty Reduction Strategy Paper (PRSP II) and agreed under Government's "Agenda for Change". These sectors were reiterated by His Excellency the President in his address on the occasion of the State Opening of the Second Session of the Third Parliament of the Second Republic as follows:

- * Energy and Water Supply
- * Infrastructure and Transportation
- * Youth Employment
- * The Growth Sectors
- * Social Services and
- * Capacity Building

136. Mr. Speaker, consistent with Government's vision, the allocation of expenditures in 2009 is therefore skewed towards energy, agriculture and infrastructure in order to foster sustainable economic growth, which is the most important factor influencing poverty reduction. At the same time, Government will continue to provide the basic social services, especially in health and education, to our people.

137. Mr. Speaker, budget execution and control will be enhanced in 2009. In particular, control over expenditure commitments will be tightened to avoid overruns and extra-budgetary spending will be eliminated to restore the credibility of the budget.

138. Mr. Speaker, taking into consideration the projected domestic revenues, external budgetary support, resources available to Government under the HIPC and MDRI debt relief initiatives plus the allowable level of domestic borrowing, total expenditure and net lending is projected at Le1.49 trillion (21.9 percent of GDP). Of this total, recurrent expenditure is projected at Le1.0 trillion while capital expenditures are projected at Le 485.8 billion. Government's contribution to capital expenditures will amount to Le80.8 billion.

Wages and Salaries

139. Mr. Speaker, Government is not oblivious of the poor conditions of service faced by civil servants. However, Government's determination to improve the situation is often frustrated by the instability and unpredictability of the payroll especially that of the teachers. During the year, the Accountant General's Department in collaboration with the Human Resource Management Office put in place a number of controls that are beginning to yield positive results. With the ongoing verification of civil servants and teachers, the personnel records management programme and other civil service reforms will enable Government to establish a clean and predictable payroll.

140. Mr. Speaker, it is also the aim of Government to ensure that all Government employees on the payroll are registered with NASSIT. Henceforth all, newly recruited Government employees must be registered with the Trust before inclusion in the payroll database for the payment of salary.

141. Furthermore, in 2009, the Accountant General will roll out the payroll module of the IFMIS to the Ministry of Defence (for military personnel), the Ministry of Education, Youth and Sports (for teachers) and the Sierra Leone Police (for the police). The objective is to ensure segregation of duties and further control over the Government payroll. These MDAs will be required to make the necessary validated amendments to their respective payrolls and forward same to the Accountant General's Department for further checking and processing.

142. Mr. Speaker, in the ensuing year, the Ministry of Finance and Economic Development, in an effort to minimize the handling of cash by staff of the Accountant General's Department, will ensure that the salaries of all Government employees are paid into their respective individual bank accounts. This will ensure that Government workers receive their salaries on time and as well as discourage pilfering of the payroll. Government will continue with the verification exercises at frequent intervals to ensure that workers on the payroll of MDAs are genuine.

143. Mr. Speaker, as we face global economic slow down and food security crisis, our development will be directly affected by our efforts to lift our people out of poverty. The food crisis will worsen the poverty levels of our people. In addressing these concerns, my ministry has ensured that poverty reduction is mainstreamed in all policies ranging from macroeconomic policies to grass root administrative policies. Taking cognizance of the negative impact of the food and fuel crisis on the real incomes of civil servants, the Government wage bill is programmed to increase by Le 60 billion to Le 400.2 billion in 2009 to accommodate a net increase of 20 percent in the basic salaries of all civil servants as well as the cost of

recruiting 1,000 police officers. Some civil servants will get less than 20 percent while some will get more depending on the skills profile and profession.

144. Mr. Speaker, the tax burden on the incomes of the working population is too high. I am therefore proposing an increase in the non-taxable threshold from Le125,000 to Le150,000 per month. This means that all workers whose salaries are Le 150,000 and below are exempted from paying income tax. Furthermore, I am proposing a reduction in the marginal personal income tax rates as shown in Annex 8 to this statement.

Interest payments

145. Total interest payments on both foreign and domestic debts are projected at Le140.5 billion (2.1 percent of GDP). Of this amount, domestic interest payments will amount to Le127.6 billion and foreign interest payments Le12.9 billion. The domestic interest bill includes the interest cost of the planned conversion of an additional Le60 billion from the outstanding non-interest-bearing securities into marketable securities to support the monetary policy operations of the Bank of Sierra Leone and the issuance of a Le130 billion bond to recapitalize the central bank.

Non-Salary, Non-Interest Recurrent and Capital Expenditure

146. Mr. Speaker, non-salary, non-interest recurrent expenditure will amount to Le460.2 billion (6.8 percent of GDP) in 2009. In addition, Le80.8 billion will be allocated from the domestic resources to compliment the foreign-financed capital expenditures to support the execution of investment projects in the agriculture, infrastruc-

ture, education and health sectors, respectively. The detailed allocation of these expenditures is consistent with the priorities of Government as articulated in the second PRSP and agreed under the “Agenda for Change.”

Transfers to Local Councils

147. Mr. Speaker, most of the functions hitherto performed by the MDAs have been devolved to the Local Councils. It is therefore imperative to provide the local councils with financial and technical resources to ensure the effective delivery of services to our people in the rural communities. In support of the devolution process, Government is providing Le60.1 billion as non-salary recurrent transfers to local councils for the delivery of basic agricultural, education and health services to the rural communities.

Energy

148. Mr. Speaker, Government remains firmly committed to the provision of uninterrupted supply of electricity to Freetown and its environs as well as to rural electrification, initially focusing on the district head quarter towns. As a manifestation of this commitment, Government, with support from its development partners did put in place an Emergency power programme for one year on the expectation that the Bumbuna Hydroelectric Project will be completed by the end of this year. Since it has become clear that the Dam will be completed by April next year, there is need to continue to provide funding to the Emergency Power Programme for the first half of 2009. Accordingly, an amount of Le45.5 billion will be provided to the Ministry of Energy and Power, of which Le41.6 billion will cover the cost of fuel for the

Emergency Power Programme during the first half of 2009 to avoid a return to blackouts. An amount of Le9.6 billion is also allocated from the domestic capital budget in addition to Le14.1 billion provided by the African Development Bank and the Government of Italy for the completion of the Bumbuna Hydroelectric Project. The OPEC Fund for International Development (OFID) will provide Le11 billion to finance the cost associated with the stringing of transmission lines from Bumbuna to Freetown while the World Bank is expected to provide Le12.2 billion under the Western Area Power Generation and Distribution Project. Allocations to the energy sector account for 11.6 percent of total goods and services and domestic capital expenditures

149. Mr. Speaker, Government is very much concerned about the low level of accessibility to safe drinking water and is therefore working to expand the population's access to pipe borne water supply systems, especially those in the provincial and rural areas. In support of this objective, a grant of Le2.8 billion will be provided from the recurrent budget to the Sierra Leone Water Company (SALWACO). In addition, an additional Le3.0 billion will be allocated from the domestic capital budget to compliment donor funding of about Le3.8 billion towards the water sub-sector.

Agriculture

150. Mr. Speaker, agriculture remains the most important sector in our economy given its potential to spur sustainable economic growth, provide employment opportunities and generate domestic revenues and foreign exchange earnings, especially against the food price surge. In this context, Government has placed top most priority

in this sector. Reflecting this, a total of Le21.3 billion is provided from the recurrent budget to the agricultural sector, of which Le17.6 billion is to support the food security programme. In addition the sum of Le2.2 billion is allocated to the newly formed Sierra Leone Agricultural Research Institute and Government is also transferring Le7.9 billion to the local councils for the delivery of agriculture and food security services in the rural areas. An amount of Le3.4 billion is allocated in the domestic capital budget to support various agricultural projects. The total amount of domestic resources allocated to the agricultural sector for 2009 is 64 percent higher than the amount allocated in 2008. In addition, our development partners, notably the African Development Bank, the Islamic Development Bank, the International Fund for Agricultural Development, the European Commission and the World Bank are providing a total of Le37.7 billion, which is 47.2 percent above the amount committed in 2008, to fund various agricultural projects in support of Government's objective of attaining self-sufficiency in food and generating surplus for export. Government is complementing these resources with an additional Le3.4 billion from the domestic capital budget. Overall, the agriculture sector accounts for 7 percent of total expenditures.

151. In parallel, Government is offering concessions to the agriculture sector in the hope that these incentives will stimulate growth in the sector.

152. The definition of qualifying expenditure will include.

- * Plant and machinery used to pursue crop cultivation, animal farming, aquaculture, and agricultural or pastoral pursuits.

- * Constructing access roads, bridges, buildings and structural improvements on land for the purpose of crop cultivation, animal farming, aquaculture, inland fishing and other agricultural or pastoral pursuits.

153. In view of the time lag between start-up and processing activities, integrated agricultural projects qualify for investment allowance of 60 percent for five years after expiration of a tax holiday on expenditure incurred for processing operations.

154. Furthermore, corporate tax for the first ten years shall be zero percent consistent with the Income Tax Act and the import duty on agricultural input shall also be zero percent but shall be subject to the implementation of ECOWAS Common External Tariff (CET). Payroll Tax for non available skills shall be subject to an exemption for the first two years of employment subject to an extension to a maximum of three years. In addition to the incentives available for the agricultural sector, Agro Processing enterprises will have reduced import duty on immediate goods at half of the prevailing rate.

Roads

155. Mr. Speaker, an efficient and reliable road network is key to fostering private sector led economic growth. In this regard, Government is paying particular attention to the construction and rehabilitation of roads and other transport infrastructure. Of particular importance to Government for 2009 is the rehabilitation of 160 kilometres of roads in major provincial towns and 2055 km of feeder roads for agricultural development; rehabilitation of the

Makeni-Matotoka and Bo-Kenema highways, rehabilitation of the Freetown-Monrovia Highway, the Kenema-Koindu road and the Port Loko-Lungi Road ; and also the construction of phase 2 of the Freetown-Conakry, the Freetown Hill Side Bye-Pass and the Tokeh-Lumley Roads. Our development partners have committed a total of Le175.2 billion, more than doubling the amount committed in 2008, to support Government's efforts in this direction. Government is providing Le15.5 billion from the domestic capital budget to complement the funding provided by donors. In addition, Government is providing Le1.7 billion from the recurrent budget and Le1.7 billion from the capital budget to the Ministry of Works, Housing and Infrastructure for the construction and rehabilitation of Government buildings.

Health

156. Mr. Speaker, Government is very much concerned about the deplorable state of our health infrastructure and service delivery, which continue to account for our country's rating at the bottom of the United Nations (UN) Human Development Index. The high incidence of infant and maternal mortality is a serious cause for concern. In an effort to improve the situation, Government is allocating in the recurrent budget Le39.8 billion to the Ministry of Health and Sanitation. This amount includes Le16.7 billion for primary and secondary health care services; Le10.7 billion for the referral hospitals and Le3.2 billion for the procurement of drugs and medical supplies. In addition, Le15.4 billion will be transferred to the local councils to support District hospitals and peripheral health centres. Total expenditure allocations from domestic resources to the health sector is 21 percent higher than the allocations in 2008.

Our development partners including the African Development Bank, the World Bank and the European Commission have also committed Le15.5 billion under various health sector projects to support the provision of health care services and improving related infrastructure. Overall, the health sector accounts for another 7.6 percent of total expenditures.

157. Mr. Speaker, as highlighted by His Excellency the President at the State opening of Parliament, Government has decided to set up a National Social Health Insurance Scheme to ensure access and availability of quality health care service to all Sierra Leoneans. In this regard, NASSIT in collaboration with the ILO has undertaken series of studies and consultations on the feasibility of establishing such a scheme. The report of these studies and consultations will inform the design and implementation of the scheme including coverage, funding modalities, benefit package, and support to the health sector infrastructure. The scheme is expected to support the remuneration of key health service personnel.

Education

158. Mr. Speaker, another factor responsible for our low ranking in the United Nations Human Development Index is the high level of illiteracy. While enrollment in primary schools is improving and an increasing number of schools constructed, the quality of the educational services delivered at primary, secondary and tertiary levels deserves serious attention by Government. In support of efforts to improve the quality of education, an amount of Le65.4 billion is provided in the recurrent budget to support various educational programmes. Of this amount, Le38.9 billion is allocated

to the universities, regional polytechnics and other tertiary institutions, Le2.5 billion for the payment of examination fees to WAEC for the West African School Certificate Examination (WASCE) and Le2.9 billion as grants to Government boarding schools. In addition, Le30.9 billion will be transferred to the local councils for the payment of school fee subsidy, examination fees for the NPSE and BECE; procurement of textbooks and teaching and learning materials for Government and Government assisted schools. An amount of Le4.0 billion is provided in the domestic capital budget to support various projects in the education sector. The total allocation from domestic resources to the education sector for FY2009 is 25 percent higher than the amount allocated in 2008. Furthermore, the Arab Bank for Economic Development in Africa (BADEA) is providing Le1.6 billion for the rehabilitation of N’Jala University whilst the World Bank and the African Development Bank will provide Le3.6 billion to support the SABABU project. Overall, the education sector account for 11.3 percent of total expenditure.

Women, Children and the physically Challenged

159. The well being of our women and children especially the physically challenged, and those affected by the war is of great concern to Government. In this respect, Government will mainstream women and children (including physically challenged) issues in all development programmes and will seek to strengthen the institutional capacity of the Ministry responsible for women and children’s affairs. In support of this objective, an amount of Le1.8 billion is allocated to the Ministry of Social Welfare, Gender and Children’s affairs.

Security

160. Mr. Speaker, the need to care for and provide logistics for our men and women in uniform who protect our lives and properties and defend the territorial integrity of our nation cannot be overemphasized. In support of this commitment, Government is providing Le40.0 billion to the Ministry of Defence, Le25.3 billion to the Police, Le9.5 billion to the Prisons and Le2.5 billion to the National Fire Authority. The Immigration Department will receive Le1.5 billion, while the Office of National Security, Le1.4 billion. The total allocation to the security sector represents 17.5 percent of the total non-salary recurrent expenditure.

Good Governance

161. Mr. Speaker, the efficiency and effectiveness of the expenditure allocation in the foregoing paragraphs can only be realized if good governance is embedded in our programmes and policies. To ensure the transparent and accountable use of resources and reduce the opportunities for corrupt practices, Government will continue to support the institutions responsible for oversight of Government financial transactions. In support of this objective, Le2.7 billion is allocated to the House of Parliament, Le1.3 billion to Audit Services, Le1.0 billion to the Anti-Corruption Commission, Le656 million to the National Public Procurement Authority and Le3.3 billion to Statistics Sierra Leone.

(c) Overall Budget Deficit and Sources of Financing

162. Mr. Speaker, on the basis of the projected revenues and programmed expenditures, the overall budget deficit, excluding grants is projected at Le662.6 billion (9.8 percent of GDP in 2009).

Including grants, the deficit is projected at Le236.8 billion (3.5 percent of GDP). The basic primary budget deficit is programmed to narrow to 1.7 percent of GDP in 2009 from 3.1 percent of GDP in 2008.

163. The budget deficit will be financed largely by foreign loans and grants amounting to Le150 billion (2.2 percent of GDP). Domestic financing is programmed at Le107.6 billion, of which, borrowing from Bank of Sierra Leone, mainly by drawing down debt relief deposits at the Bank is projected at Le88.2 billion. Borrowing from the commercial banks and non-bank sector is not expected to exceed Le12.0 billion and Le7.3 billion, respectively. Proceeds from the privatization of Government assets and repayment from the National Power Authority for fuel provided under the Emergency Power Project is expected to contribute Le12 billion.

XI. Conclusion

164. Mr. Speaker, we faced enormous challenges in the implementation of the 2007 budget, which spilled over into 2008 and are expected to continue in 2009. These challenges ranged from shortfalls in domestic revenues, unpredictable budget support, the global food and fuel crisis and more recently the financial crisis. The gains made in economic management, which we intend to consolidate in 2008 are being undermined by these negative developments.

165. As a Government with an 'Agenda for Change', we remain committed to improving the welfare of our people by pursuing policies and programmes that will generate economic growth, create job opportunities for the youth, empower women, while continuing to ensure the delivery of health and education services, with the

overall objective of reducing poverty. The policies announced in this budget are therefore an integral part of the second Poverty Reduction Strategy Paper (PRSP II), which will soon be presented to this Honourable House.

166. Mr. Speaker, I would like to thank my colleague Ministers for their understanding under difficult circumstances; the Deputy Ministers of Finance and Economic Development for their cooperation, the Financial Secretary for his unflinching support, the Governor, management and staff of the Bank of Sierra Leone for their support and partnership, and staff of the Ministry of Finance and Economic Development for their commitment to hard work. I also wish to register my appreciation to staff and management of other MDAs, members of the Budget Oversight Committees, the Government Printer and his staff; and more importantly, the Chairman and Honourable members of the Parliamentary Finance Committee for seeing me through the budget exercise.

167. Mr. Speaker, I commend the Budget for fiscal year 2009 to the House.



GOVERNMENT OF SIERRA LEONE

GOVERNMENT BUDGET

and

Statement of Economic and Financial Policies

For the Financial Year, 2009

DELIVERED BY

MR. DAVID O. CAREW

Minister of Finance and Economic Development

in the Chamber of Parliament

TOWER HILL, FREETOWN

ON

Friday, 21st November, 2008