AFRICAN DEVELOPMENT BANK GROUP

SIERRA LEONE

FISCAL CONSOLIDATION SUPPORT PROGRAMME
FCSP

RDGW/ECGF/RDTS/COSL/PGCL DEPARTMENTS

April 2019

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CURRENCY EQUIVALENTS

(February 2019)

Currency Unit	= SLL
UA 1	= SLL 11,861.70
UA 1	= EUR 1.2190
UA 1	= USD 1.400

FISCAL YEAR

1 January to 31 December

LIST OF ACRONYMS

ADB	African Development Bank
ADF	African Development Fund
AGD	Accountant General's Department
ASSL	Audit Service of Sierra Leone
A4P	Agenda for Prosperity
BSL	Bank of Sierra Leone
CAF	Common Assessment Framework
CPI	Corruption Perception Index
CPIA	Country Policy Institutional Assessment
CRF	Consolidated Revenue Fund
CSP	Country Strategy Paper
DB	Doing Business
DP	Development Partners
EU	European Union
FDI	Foreign Direct Investment
FRA	Fiduciary Risk Assessment
GAP II	Governance Strategic Framework and Action Plan
GDP	Gross Domestic Product
GoSL	Government of Sierra-Leone
HDI	Human Development Index
HDR	Human Development Reports
HRMO	Human Resources Management Office
IDA	International Development Association
IDEV	Independent Evaluation Department
IEMP	Inclusive Economic Management Programme
IFMIS	Integrated Financial Management Information System
IMF	International Monetary Fund
ISP	Institutional Support Project
MDA	Ministries, Departments and Agencies
MDBS	Multi Donors Budget Support
M&E	Monitoring and Evaluation
Mo	Ministry of Finance
PAF	Performance Assessment Framework
PBO	Program Based Operation
PCN	Project Concept Note
PCR	Project Completion Report
PEFA	Public Expenditure Framework Assessment
PRSP	Poverty Reduction Strategy Program
PIU	Project Implementation Unit
TSF	Transition Support Facility
UA	Units of Account
WB	World Bank

GRANT INFORMATION

BORROWER / RECIPIENT: **Republic of Sierra Leone**
EXECUTING AGENCY: **Ministry of Finance**

Financing Plan for Fiscal Year 2019 (Commitments)

Source	Amount	Instrument
TSF (Pillar I)	UA 15Million	Grant
World Bank	USD 40 million (MUA 28.6)	
EU	EUR 25 million (MUA 20.5)	
TOTAL	**UA 64.1 million**	

Timeframe – Main Milestones

Concept Note Approval	December 2018
Appraisal	August 2018
Approval	March 2019
Effectiveness	April 2019
Disbursement	April 2019
Closing Date	February 2021

EXECUTIVE SUMMARY

Programme Overview	Programme Name / Ref. Number Fiscal Consolidation Support Programme (FCSP) / SAP Id. P-SL-KA0-016. Geographic Scope: Nationwide Overall Timeframe: 24 months, March 2019 – February 2021 Financing: TSF (Pillar I) Grant: UA 15.00 million Operational Instrument: General Budget Support Sector: Economic and Financial Governance
Programme Outcomes	The fiscal consolidation support programme aims to support the stabilization of Sierra Leone's macroeconomic framework and enhance revenue mobilization and public expenditures management. The expected outcomes of implementation of the supported reforms are: (i) increased revenue mobilization; (ii) improved debt management; (iii) improved alignment of budget allocation with Government priority spending
Alignment with the Bank's Priorities	**FCSP is consistent with the operational goals of the Bank's Ten-Year Strategy concerning governance and accountability**. It is in line with the Bank's High 5s priority areas, "***Improve the quality of life for the people of Africa***". It is consistent with the pillars of the Bank's Gender Strategy concerning knowledge management and skills development. It is also consistent with the strategic objectives of the Country Strategy Paper approved by the Board in September 2013 and updated in April 2018 to end 2019. It is aligned to the first pillar which deals with enhancing Economic Governance. Lastly, the programme is in harmony with the Bank's 2014-2019 Strategy for Addressing Fragility and Building Resilience in Africa, and particularly with its number one focus area, namely "Strengthening state capacity and supporting effective institutions".
Needs Assessment and Rationale	**Government priority reforms focuses on increasing revenue collection and enhancement of the quality of public spending, efficiency and transparency.** The Government's economic and financial programme has defined the medium term priority reforms for improving public finance management (PFM). Specifically, the reforms aim to improve internal revenue collection and public debt management, strengthen public expenditure management by streamlining the wage bill, improving public procurement systems and practices and strengthening budget oversight.
Harmonization	**Coordination and collaboration of development partners in Sierra Leone is strong.** The Development Assistance Coordination Office (DACO) in the Ministry of Planning and Economic Development (MoPED) spearheads the coordination of aid. Dialogue with the development partners is conducted through a Development Partnership Committee (DEPAC), co-chaired by the Minister of Planning and Economic Development ; and by the United Nations and the World Bank. The GoSL and donor community also signed in 2013 a Mutual Accountability Framework (MAF) that outlined the accountability structure for each of the partners and coordinates the financing of the Government's development agenda.
Bank's Value Added	**The Bank's comparative advantage derives principally from its vast knowledge of the needs of various transition states.** Regarding Sierra Leone's challenges in particular, the Bank has been intensely engaged in the domains of governance and PFM through capacity building interventions, and more recently (2014 and 2015) provided budget support and technical assistance under the Fragile State Facility (FSF), including for fighting the Ebola Virus Disease (EVD). The Bank's previous engagements on PFM activities in Sierra Leone are a particular asset for the Bank, since it can constructively build on the experience gained from previous operations with this country, as well as from the numerous programs with its other member countries. This will allow the Bank to enhance its value added and maximize the effectiveness of the PBO
Contribution to Gender Equality and Women's Empowerment	**FCSP supports budget reforms aimed at protecting priority social reforms, especially for the benefit of children, women and girls** (school enrolment) not only at the level of the budget adopted, but also as part of its implementation. The emphasis placed on the education of girls will ultimately have a positive impact on skills development for the entire country and on the employability of women.
Policy Dialogue and Related Technical Assistance	**The Bank is a key partner and plays an important role as facilitator in policy dialogue with the authorities.** Policy dialogue is centered in the Budget Support Group (BSG), comprising the four MDBS donors and Government, which meets at the policy level (Head of Mission/Financial Secretary) and at the working level, to monitor progress against the PAF and the risks to the objectives of the program. A review of the PAF is jointly conducted once a year. Donors and Government have agreed to undertake a comprehensive review of the PAF with a view to streamline the number of indicators and align it with the country's priorities.

Results-Based Logical Framework

County and Project Name: **Sierra Leone**: Fiscal Consolidation Support Programme (FCSP)

Project Goal: The Fiscal Consolidation Support Programme (FCSP) objective is to strengthen fiscal consolidation by improving revenue mobilization and public expenditures management efficiency and transparency.

RESULTS CHAIN		PERFORMANCE INDICATORS			MEANS OF VERIFICATION	RISKS/MITIGATION MEASURES
			Baseline Situation	Target		
IMPACT	*Contribute to inclusive and economic growth and poverty reduction*	Real GDP annual growth rate	3.7% in 2017	> 5 % in 2021	IMF & AfDB reports/ budget report	**Risks /Mitigation Measures** **<u>Risk 1</u>**: Sierra Leone's vulnerability to macroeconomic shocks due to its dependence on imported food and fuel as well as on primary exports and FDI. **<u>Mitigation:</u>** The granting of a new Enhanced Credit Facility backing the GoSL economic and financial programme on November 30, 2018 will help sustain the macro-fiscal stance. The new elected Government has demonstrated strong commitment to maintain fiscal and monetary discipline. Development partners are considering budget support that will address fiscal space and effective implementation of the revenue modernization program. **<u>Risk 2</u>**: Weakness in budget formulation and execution prevent effective allocation of expenditure. **<u>Mitigation</u>**: Ongoing reforms to the budget process towards activity-based allocation; Public Investment Management public procurement and cash
		Gender Inequality Index (GII)	0.645 in 2016	0.625in 2021	Statistics Sierra Leone	
OUTCOMES	**<u>Outcome 1</u>**: *Increased revenue mobilization*	1.1: Increased non-tax collections from Extractive industries (% of Government budget)	1.2 % of Budget in 2017	At least 3 % in 2021	Government Fiscal Outturn Reports	
	<u>Outcome 2</u>: *Improved debt management*	2.1 Stock of Internal arrears (in % of GDP)	18 % of GDP in 2017	< 15 % in 2021	MoF	
	<u>Outcome 3</u>: *Improved alignment of budget allocation with Government priority spending*	3.1 Public expenditure for education in % of non-salary, non-interest recurrent expenditures (of which free education programme targeting Girl's education).	11.4 % in 2017 (2.8% in 2019)	≥ 24 % in 2020 (> 3% in 2020)	MoF	
	Outcome 4: Procurement systems and practices are strengthened	4.1 PEFA Indicator PI-24	D in 2017	C+ in 2021	MoF	
OUTPUTS	**COMPONENT I SUPPORT TO REVENUE MOBILIZATION AND DEBT MANAGEMENT**					
	1.1 Increased revenue mobilization	1.1.1 Extractive industry revenue Act (EIRA);	EIRA not adopted in 2017	**The Extractive Industry Revenue Act adopted in 2018**	MoF	
		1.1.2 National Revenue Act (NRA)	NRA not adopted in 2018	*The national revenue act adopted in 2019*	MoF	
		1.1.3 Revenue mobilization strategy (RMS)	Revenue mobilization strategy not operational in 2018	**The revenue mobilization strategy is operationalized in 2019 through: (a) the**	MoF	

1.2 Improved Debt Management	1.2.1 Internal Debt strategy and medium term settlement plan	Internal Debt strategy and settlement plan not available	**adoption of an implementation action Plan; and (b) Establishment of the Technical Task Force.**	MoF	management, all supported by multi-donor ISPs. **<u>Risk 3</u>**: Poor social and political environment to reinforce stable institutions.
COMPONENT II: STRENGTHENING PUBLIC EXPENDITURE MANAGEMENT EFFICIENCY AND TRANSPARENCY					**<u>Mitigation</u>**: Reform actions are reflected in national A4P priorities. Donors' are supporting key public institutions (ASSL; MDAs; Parliament; NPPA; Anti-Corruption Commission; etc.) in capacity building activities **<u>Risk 4</u>**: Implementation capacity may be a risk to reforms implementation. **<u>Mitigation</u>**: Programming of ISPs strengthening capacity in areas supported by PBO.
2.1 Improved budget allocation and execution	2.1. Manpower plans	Only Human Resources Management Office (HRMO) submitted manpower plan and there is no link between manpower plan and budget in 2017	*All SVAs submitted manpower plans for 2020 budget*	MoF	
	2.1.2 standard employment documents	No standard employment documents in 2017	Standard documents adopted that employing agencies are required to send to MoF when new posts added to payroll	MoF	
	2.1.3 Basic and secondary education budget (in percentage of total non-interest/salaries expenditures	4% of total budget in 2017	**Increased budget allocated to basic and secondary education: at least 8 % in the 2019 Budget Law**	MoF	
	2.1.4 Secondary school girl child programme (in % of non-interest / salaries expenditures	.2% in 2017	At least 0.5% in 2019 Budget Law	MoF	
	2.1.5 Basic and secondary budget execution	75 % in 2016	➢ 90 % in 2019	MoF	
2.2 Increased transparency in Public Finance Management	2.2.1 2016 public accounts	2016 Public accounts not submitted to Parliament in 2018	**Submission of Auditor's General Report on 2016 Public accounts to Parliament for approval**	MoF	
	2.2.2 2017 Public accounts	2017 Public accounts not submitted to the Auditor General	**Submission of Auditor's General Report on 2017 public accounts to the Parliament**	MoF	

		2.2.3 Independent procurement jury panel	No independent procurement jury panel	**Appointment of the independent procurement jury panel in charge of complaints/disputes resolution**	MoF	
	COMPONENTS			**RESOURCES**		
	Component I: Support to revenue mobilization and debt management ***Component II: Support to Public Expenditure Management Efficiency and Transparency***			TSF (Pillar I) : UA 15.00 million (Grant) World Bank: USD 40 million European Union: EUR 25 million		

MANAGEMENT'S REPORT AND RECOMMENDATION TO THE BOARDS OF DIRECTORS CONCERNING A PROPOSAL TO AWARD A TSF (PILLAR I) GRANT OF UA 15.00 MILLION TO THE REPUBLIC OF SIERRA-LEONE TO FINANCE THE FISCAL CONSOLIDATION SUPPORT PROGRAMME (FCSP)

I. THE PROPOSAL

1.1 ***Management hereby submits the following report and recommendations concerning the award of a grant of UA 15.00 million from the Transition Support Facility (TSF) Pillar I resources to finance the Fiscal Consolidation Support Programme (FCSP) in Sierra Leone.*** Sierra Leone meets the TSF eligibility requirements due to its fragility situation[3]. FSCP is a programmatic budget support series spanning two years (2019-2020) aiming at the consolidation of the country's fiscal stance to carry out reforms for strengthening budgeting processes efficiency and transparency; and promoting girl's education. The Programme is consistent with the Bank's policy on budget support operations as Sierra Leone fulfils the prerequisite for budget support as demonstrated in the Technical Annex I. This report is submitted subject to the effective implementation of prior actions in line with the donor-supported Economic and Financial Programme of the Government of the Republic of Sierra Leone.

1.2 ***FCSP will help to consolidate and strengthen revenue mobilization and the efficiency of public expenditure.*** The Republic of Sierra Leone intends to stabilize its macroeconomic framework by implementing policy reforms aiming to boost revenue collection and control public outlays. Bank assistance, through institutional support, as well as support from other technical and financial partners, can help in achieving those goals. However, efforts are still needed to improve the efficiency of public spending and strengthen the resilience of the economy to external shocks, related particularly to the volatility in commodity prices.

1.3 ***FCSP is a budget support programme covering the period 2019-2020, and will provide almost 24% of the financing needs for fiscal year 2019.*** The relevance of Bank support through a programmatic series of budget support operation (See 7.6 of the Bank Group Policy on Programme-Based Operations - PBOs of 2012) is justified by the need to stabilize the fiscal stance and initiate reforms aimed at improving the quality and transparency of public outlays over the medium term. Moreover, the Bank's extended Country Strategy Paper 2013-2019 provides for budget support for under its first pillar «***Enhancing economic governance and transparent management of natural resources revenue***". The programme allows for continuation of dialogue between the Bank and the Government of the Republic of Sierra Leone on the conduct of economic and financial governance reforms, with the support of other partners involved in this area.

1.4 ***The development objective of the proposed programme is to improve revenue collection and enhance the efficiency and transparency of public expenditure.*** The two specific programme components that contribute to achieving this objective are: ***(i) improvement of revenue mobilization and debt management; and (ii) strengthening public expenditure management efficiency and transparency.*** The expected outcomes of FCSP are, among others: (i) increased revenue mobilization; (ii) improved debt management; and (iii) improved alignment of budget allocation with Government priority spending.

[3] Sierra Leone's Fragility assessment, according to TSF eligibility requirements, was performed as part of the Bank's Extended 2013-2018 CSP

II. CONTRY CONTEXT

2.1 Political Situation and Governance Context

2.1.1 **Sierra Leone has successfully conducted peaceful election processes and devolution of power since the end of the civil war in 2001**. It has had four (4) free and fair presidential elections, including the most recent one conducted in March 2018, which resulted in the peaceful handover of power to a new President, Julius Maada Bio. However, risks of conflict remain latent but broadly manageable with the support of the international community. While assessed to be transitioning out of fragility, Sierra Leone is still under risk of reversal, with many underlying fragility drivers as indicated below. The Government has finalised the National Development Plan 2019-2023 centered around transforming the economy and developing human capital, specifically in the following sectors: agriculture, mining, tourism, marine resources, and manufacturing which are key contributors to growth and poverty alleviation.

2.1.2 **Sierra Leone still faces major situations of fragility linked to endogenous factors.** The underlying drivers of fragility continue to pose significant downside risks for the country's development and the attainment of the sustainable development goals (SDGs). The Government's transparent management of the expected boom in extractive revenues in an equitable manner is key to peace and stability. In addition, high rate of youth unemployment, gender inequality, high levels of perceived and real corruption, disputes over access to resources and property rights around extractive sites weak human and institutional capacities and poor economic governance systems, especially public financial management (PFM) and revenue management systems pose constraints for the Government to fully implement its development agenda. Limited physical infrastructure, especially in energy, water supply and roads, inhibit inclusive and sustainable growth and limits the country's ability to implement and effectively carry out transformation and provide basic social services to its citizens. Technical Annex IV presents a detailed summary of fragility in Sierra Leone.

2.1.3 **Governance issues remain a concern, particularly due to the management of mineral resources**. In 2018, Sierra Leone scored 30 on the Corruption Perception Index (0 being highly corrupt and 100 highly clean), placing it 129th out of the 175 countries ranked, compared 130th out of 180 countries in 2017. Despite a number of policy reforms over the past decade, including the creation of the autonomous National Revenue Authority (NRA), the establishment of a Large Tax Payer Unit and the introduction of a Goods and Services Tax in 2009, revenue collection remained below the Sub-Saharan African average (10.6% for 2010-2015 period in Sierra Leone below the Sub-Saharan African average of 20.5% over the same period). In 2017, the ratio reached 12.2% for Sierra Leone and around 17% of GDP in 2017[4] for SSA as indicated in the Paragraph 2.2.2 below. Notably the Government has operationalized the Treasury Single Account to resolve the distortions arising from many Ministries, Departments and Agencies (MDAs) collecting their own revenue. On the structural front, Sierra Leone's PFM reforms have done well, as reflected in improved PEFA scores in 2018 (Technical Annex VI), but they are subject to reversal and the more difficult structural reforms (lacking national consensus) lay ahead. Significant gaps continue to exist between PFM policies and procedures, and implementation in MDAs and local communities.

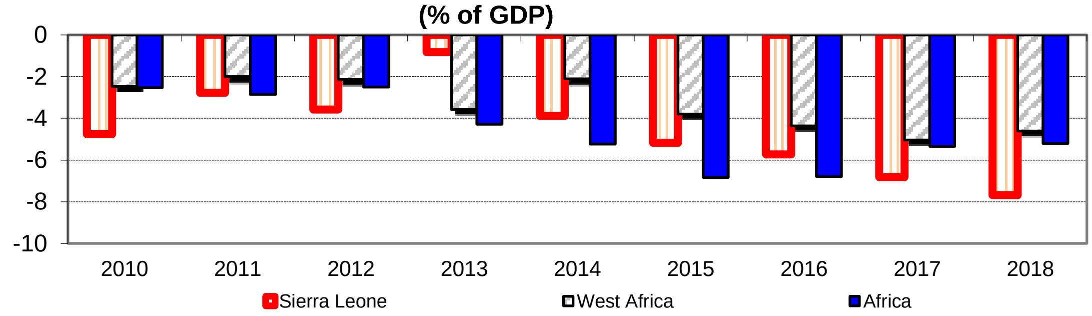
[4] **International Monetary Fund**: *African Economic Outlook, October 2018*

2.2 Recent Economic Developments, Macroeconomic and Fiscal Analysis

2.2.1 Sierra Leone enjoyed sustainable and strong economic growth between 2001 and 2014, with average annual growth of 5.9 percent. Economic growth was spurred largely by growth in the agriculture sector, which grew on average 8 % per year between 2011 and 2013, and in later years by improved mining production and exports. In 2014, Sierra Leone's economy was severely affected by the Ebola virus disease (EVD) outbreak and a decline in international iron ore prices. The economy contracted by 21% in 2015 before recovering from recession to 6.4% in 2016 and 3.8% in 2017. Annual average inflation increased to 18.2 % in 2017 from 12.9 in 2016. The economy is still vulnerable to shocks, as evidenced by the impact of floods and mudslides in 2017, which led to many casualties and destruction of infrastructure and disruption of services. The medium term outlook is encouraging with a projected GDP of respectively 3.7% and 5.4% in 2018 and 2019; while inflation will be reduced to respectively 16.6% and 16.0.

2.2.2 The fiscal stance marked by a deteriorating fiscal balance is a source for concern. A key constraint to fiscal consolidation in Sierra Leone is the weak performance in revenue mobilization compared to West African and Sub-Saharan averages (See Graph 1). In 2017, revenue to GDP ratio is estimated at 12.2 % of GDP compared to an average of 17 % for Sub-Saharan Africa. The overall fiscal deficit (including grants) reached 8.3% in 2017 compared to 5.4% for Sub-Saharan Africa. The current account deficit stood at 10.9% in 2017 due to increased capital imports and contraction of exports and further widen to 14 and 12.6 % respectively in 2018 and 2019 on account of increased imports. Sierra Leone's reserve coverage was estimated at 3.3 months of imports (excluding iron ore related imports) at end-2017, down from 3.5 months at end-2016. Sierra Leone remains highly donor dependent, budget support expected to provide about 15% of domestic revenues in 2019.

Graph 1: Fiscal Balance (% of GDP)



Source: *African Development Bank*

2.2.3 Monetary policy: **The main objective the Bank of Sierra Leone (BSL) is to maintain price stability in order to subdue inflation levels.** BSL has conducted since 2016 conservative monetary policies in order to address the surge of inflationary pressure due to indirect financing of the fiscal deficit from the Government up to late 2016. The Bank of Sierra Leone target is to bring back the inflation rate below double-digit level (9% by 2022). The Government stopped resorting to BSL financing of the fiscal deficit and pursued a conservative monetary policy with the increase of BSL monetary policy rate. Overall inflation remains high at double-digit levels reaching 18.2% in 2017 and 16.6 in 2018 and is projected at 16% in 2019. Finally, the limitation of exchange rate auctions will stabilize foreign-exchange reserves at an equivalent of 3.3 months of imports over the medium term.

2.2.4 Medium-term economic prospects are favourable. The real GDP growth rate is projected to increase to 5.3% on average over the 2019-2021 period, from 3.8% estimated in 2017 and 3.7% projected in 2018. This positive trend is mainly explained by an increase of mining industry output; improved efficiency of public investment in infrastructure; and foreign direct investments in the agro-industry niche. Risk factors that could negatively affect this favourable outlook include fall of commodity prices, inflation spurred by oil prices hikes and delays in timely provision of donor's assistance.

2.2.5 Sierra Leone has a high risk of debt distress as per the October 2018 Debt Sustainability Analysis (DSA). The drop in budget revenues from the mining sector is one of the main causes, given the short-term erosion of the external debt servicing capacity. The ratio of the present value of debt to revenue went from 127% in 2014 to 347% in 2018 (above the critical threshold of 200%). Other ratios have exceeded the critical threshold, including the debt servicing to exports ratio which increased from 5% in 2016 to 29 % in 2018 (the critical level is 15%) and the ratio of the present value of debt to GDP, which rose from 29% in 2016 to 58% in 2018 (the critical level is 30%). Development of the National Debt Strategy will help improve the monitoring of public debt. The diversification of sources of growth is also a challenge to be addressed in order to reduce the budgetary reliance on extractive industries.

Table 1: Key macroeconomic indicators: 2016-2021

(In GDP%, unless otherwise indicated)	2016	2017 Est.	2018 Prel.	2019 Proj.	2020 Proj.	2021 Proj.
Annual GDP growth	6.4	3.8	3.7	5.4	5.4	5.1
Inflation rate (average annual CPI)	12.9	18.2	16.6	16.0	13.0	11.1
Fiscal deficit (net of grants)	-11.0	-11.2	-9.9	-6.6	-6.9	-6.9
Tax revenue (excluding grants)	12.1	12.2	13.8	14.5	15.0	15.8
Public expenditure	23.2	23.4	23.6	21.1	22.0	22.7
Of which: capital expenditure	8.6	8.4	7.0	6.0	7.0	7.7
Current account balance (including grants)	-3.5	-10.9	-14.0	-12.6	-11.1	-10.2
International reserves (in months of imports)	4.3	3.5	3.3	3.1	3.5	3.5
External public debt	51.5	61.5	68.3	72.6	75.1	72.5
Domestic public debt	14.6	16.5	25.3	27.6	29.4	26.2

Sources: IMF, Sub-African Economic Outlook Database, October 2018

2.3 Economic Competitiveness

2.3.1 The business environment remains challenging for private investors. Sierra Leone is ranked 163rd out of 190 countries in the World Bank's Doing Business 2019 ranking, down one spot from the previous year. The lowest ranking indicators were dealing with construction permits (182nd) and getting electricity (178th) which nonetheless registered a significant improvement (+8 spots) while most of other indicators have remained relatively stagnant. The best ranking was in starting a business (55th) reflecting improvements undertaken to combine multiple registration procedures. Trading across borders also improved reflecting elimination of exports permits and establishment of pre-arrival processing.

2.3.2 While FSCP is not directly supporting reforms aimed at improving the business climate, it will help clean the large stock of internal arrears, which stood at 18% of GDP in 2017. Gradual clearance of the large stock of domestic arrears and reforms aiming to address accumulation of new internal arrears would help the recovery of the private sector activities, especially SMEs. Other donors are supporting reforms aiming to improve the business climate.

2.3.3 Sierra Leone needs to improve the competitiveness of its economy. The country ranking in the World Economic Forum's Global Competitiveness Index for 2017-2018 is still low. Sierra Leone was ranked 130th out of 137 countries in 2018, with a score of 3.20 out of 7, up from 132nd in 2017. Main areas where the country is lagging are (with a score below 3): (i) Market size; (ii) higher education and training; (iii) technological readiness; (iv) Infrastructure; and (v) Innovation.

2.4 Public Finance Management

2.4.1 In recent years, GoSL has stepped up efforts to improve *public finance management.* The overall GoSL objective in this area is to restore fiscal discipline and increasing transparency and accountability in the management of public resources. Sierra Leone's main challenge regarding future PFM reform is to consolidate fiscal discipline by streamlining spending and increasing revenue collection in order to achieve the much-needed fiscal space for implementing its development agenda. The new PFM strategy (2018-2021), if adequately implemented, constitutes a solid basis for attaining this goal.

2.4.2 *Key* political economy issues undermine the performance of the *mining* sector and need to be addressed. Among these are inconsistent policy and institutional framework, rent seeking (and political capture), revenue management and transparency, inclusiveness and benefit sharing and non-regulated artisanal mining. The development of mining as an engine for broad-based growth has been hampered by management and governance issues, which has stunted the development of the sector and turned resource wealth into an instrument for division and conflict.

2.4.3 The administrative difficulties of tax collection in the extractive sector have been highlighted by the suspension of Sierra Leone's candidacy in the Extractive Industries Transparency Initiative (EITI) in February 2013. However, the Government took corrective measures, which allowed the country has to be declared compliant country under the 2011 rules. The country's EITI status validation against the new 2016 Standard rules is ongoing and is expected to be completed in 2019. The country has published the 2015 EITI report in 2018.

2.4.4 The reporting discrepancies motivating the suspension appeared to originate from a) lack of reporting payments from local councils and chiefdoms, and b) difficulties in reconciling payments between mining companies and government and within government, especially in cases where large payments are made directly by companies to the BSL bypassing NRA. In particular, the continuing extensive use of individually negotiated concessionary mining agreements, in exception to existing fiscal and regulatory provisions, remains an impediment to maximizing tax collection from the extractive sector and to creating a level playing field for investors. Enforcement of existing mining contracts is also a barrier for revenue maximization. These agreements, which include ad-hoc, favorable tax arrangements as well as exemptions from specific aspects of the regulatory framework, cover for example iron ore concessions as well as the rutile (mineral used to coat welding rods) project – two largest and most promising mining projects in Sierra Leone. The process is largely responsible for some fiscal losses, and its ad-hoc, individualized nature opens up opportunities for rent-seeking behavior.

2.5 Inclusive Growth, Poverty Situation and Social Context

2.5.1 **The initial conditions for achieving Sustainable Development Goals (SDGs) are unfavourable for Sierra Leone**. The country is ranked 184th out of 188 countries in 2017 with a score of 0.419 on the 2018 UNDP Human Development Index. Regarding the Gender Inequality Index (GII), Sierra Leone has a GII value of 0.645, putting it in 150th place out of 160 countries in 2017. In Sierra Leone, women hold 12.4 percent of parliamentary seats and 19.2 percent of adult women have reached at least a secondary level of education compared to 32.3 percent of their male counterparts. For every 100,000 live births, 1360 women die from pregnancy related causes; and the adolescent birth rate is 112.8 births per 1,000 women of ages 15-19.

2.5.2 **Sierra Leone's sustained growth over the recent period was poorly inclusive**. Sierra Leone has made notable progress in the reduction of poverty between 2003 and 2011, but the overall incidence of poverty remains high. The 2011 Sierra Leone Integrated Household Survey showed that poverty incidence decreased from 66.4% in 2003 to 52.9% in 2011. The overall reduction was led by strong growth in rural areas, where poverty declined from 78.7 percent in 2003 to 66.1 percent in 2011, yet poverty in rural areas was overall still higher than urban poverty. Urban poverty declined from 46.9 percent in 2003 to 31.2 percent in 2011. Moreover, the level of extreme poverty dropped dramatically from 31.3% in 2003 to 13.9% in 2011. It declined by 70 % in urban areas and 52.4% in rural areas. Regarding the level of unemployment, the most recent figures from the UNDP indicate that, in 2017, 70% of youth are underemployed or unemployed and an estimated 800,000 youth are searching for jobs. According to Sierra Leone unemployment data from 2014-2017, the unemployment rate in Sierra Leone remained unchanged at 3% in 2016 from 3% in (but these figures did not include underemployed youths). Youth unemployment in Sierra Leone is one the core drivers of fragility in the country.

III. GOVERNMENT DEVELOPMENT AGENDA

3.1 Government's Development Strategy and Reform Priorities

3.1.1 Sierra Leone's National Development Plan is Government's main policy framework for ensuring inclusive growth and fighting poverty. The Draft Medium-Term NDP (2019-2023) focuses on seven development clusters: (i) Human Capital Development; (ii) Population, Youth Employment, Sports and Migration; (iii) Diversifying the Economy; (iv) Governance and Accountability for Results; (v) Infrastructure and Economic Competitiveness; (vi) Empowering Women, Children and Disabilities; (vii) Addressing Vulnerabilities and Building Resilience; and (viii) Means of Implementation of the NDP.

3.2 Obstacles to Implementation of the National Development Plan

3.2.1 Despite significant progress in the areas of political governance and economic performance, Sierra Leone's situation of fragility represents a major constraint to sustainable and equitable development. The main security, economic, and financial capacity-related challenges are summarized below.

3.2.2 Key challenges include a limited budget space for financing the country's development agenda, thus, relying on significant donor support. Specifically the low level of revenue collected (12.2% of GDP in 2017) compared to 17% of GDP for Sub-Saharan Africa is a key constraint for financing the Government development agenda. In addition, the wage bill represents about 70% of revenue collected (or 6.4% of GDP) and contributes to the financing constraint. Despite a number of policy reforms over the past decade (see paragraph 2.1.3), significant challenges continue to constrain the fiscal space.

3.2.3 Other impediments to economic growth are weak infrastructure base, corruption and poor governance especially as it relates to the extractive and energy sectors. The management of mineral resources continues to be a serious challenge. The Government is considering steps to make sound macroeconomic management arrangements, including setting up a stabilization and savings fund, referred to as the Transformation Fund. However, weak human and institutional capacities and economic governance systems, especially in PFM, inhibits the Government's ability to manage resources effectively and meet citizens' expectations for increased standards of living. For instance, Sierra Leone's temporary suspension from the Extractive Industry Transparency Initiative (EITI) by the EITI Board in February 2013 is only one manifestation of systemic governance challenges in the extractives sector. The suspension was due to the Government's difficulties in reconciling some payments, underscoring a fragmented arrangement for the collection of payments from mining companies that is opaque and prone to leakages. Although recent reforms, such as the creation of a National Minerals Agency (NMA) intends to address the governance institutional constraints in the sector, they have also created institutional overlaps through the duplication of functions, such as the awarding of licenses that is exercised simultaneously by the NMA, Ministry of Mineral Resources, Mineral Advisory Board, and Environmental Protection Agency.

3.2.4 Based on the above, Government priority reforms focuses on increasing revenue collection and enhancement of the quality of public spending quality, efficiency and transparency. The Government's economic and financial programme has defined the medium term priority reforms for improving public finance management. Specifically, the reforms aim to improve internal revenue collection and public debt management, strengthen public expenditure management by streamlining the wage bill, improving public procurement systems and practices and strengthening budget oversight.

3.3 Consultation and Participatory Process

3.3.1 **The NDP (2019-2023) was prepared in a spirit of inclusion involving the various stakeholders in the country**. Under the direction of the Ministry of Planning and Economic Development (MOPED), the different players in the country's social, political and economic life (Parliament, public administration, Non-Governmental Organizations, the private sector, etc.) participated in various stages of the NDP preparation and validation process. Regional consultations with stakeholders in rural communities and the regions were organised during the intermediate stages of the report validation. The donor community throughout the process technically and financially are supporting the Government. The inclusive nature of the preparation process has enabled the internalization and ownership, by the Government, of the strategic objectives and expected outcomes of the National Development Plan.

IV. BANK SUPPORT AND GOVERNMENT STRATEGY

4.1 Linkage with the Bank's Strategy

4.1.1 **The programme is consistent with the Bank's Ten-Year Strategy (2013-2022*).*** FCSP is supporting the operational priority (iv) Governance and Accountability. Moreover, the program provides a platform to support policy dialogue through the Extended Country Strategy Paper (CSP) 2013-2019, specifically in its Pillar 1: "***Enhancing Economic Governance and Transparent Management of Natural Resources Revenues***" aimed at building on existing public financial management (PFM) reforms and promoting the transparent management of natural resource revenues. By focusing on governance, extractive industries, and debt management the program is also consistent with the Bank Group's Strategy for Enhanced Engagement in Fragile States.

Table 1: Linkage between the NDP, CSP and FCSP

NDP 2019-2023	CSP 2013-2019	FCSP
Objective: achieve a robust and consistent level of high economic growth, and maintain significant progress on governance indicators, that will confirm Sierra Leone's stability as a state, together with sustained improvements in human development indicators for its citizens.	**Objective**: contribute to the creation of conditions for more inclusive economic growth by strengthening integration	**Objective**: Improve fiscal resource mobilization and enhance public expenditure quality and transparency.
Priorities: (Pillar I) Human Capital Development; (Pillar iv) Governance and Accountability for Results; and (Pillar VI) Empowering Women, Children and Disabilities	**Priorities**: support for reforms to improve the effectiveness of public action and attractiveness of the economic framework (CSP Pillar I)	**Priorities** (i) improving revenue collection and debt management; (ii) enhancing the transparency of public spending (procurement, accountability, etc.); and (iii) skills development (education of girls).

4.2 Compliance with Eligibility Criteria

4.2.1 **Sierra Leone meets the Bank Group's eligibility criteria for budget support operations**. Despite a fragile economic context and vulnerability to external shocks, Sierra Leone has a good record of accomplishment in pursuing macroeconomic stability. Macroeconomic stability improved during the last decade, with economic growth accelerating although inflation is still at double-digit levels. The approval of an Extended Credit Facility by the IMF in November 2018 attests to the Government's commitment to enhance macroeconomic management and stability. Comprehensive structural and institutional reforms have been carried out to enhance revenue collection as well as expenditure and treasury cash flow management, improve monetary operations and banking sector supervision, and strengthen the management of natural resources. Although the fiscal position weakened due to the tension between available resources and expansionary spending paths, the introduction of tougher expenditure controls will help improve overall fiscal consolidation, and the fiscal deficit (including grants) is projected at 6.8% of GDP in 2018 compared to 8.7% in 2017.

4.2.2: **Sierra Leone is eligible for TSF (Pillar I) resources.**

4.3 Collaboration and Coordination with Other Partners

4.3.1 **Coordination and collaboration of development partners in Sierra Leone is strong.** The Development Assistance Coordination Office (DACO) in the Ministry of Planning and Economic Development (MOPED) spearheads the formulation of aid policy. Dialogue with the development partners is conducted through a Development Partnership Committee (DEPAC), co-chaired by the Minister of Planning and Economic Development; and by the United Nations and the World Bank. The GoSL and donor community have signed a Mutual Accountability Framework (MAF) that outlines the accountability structure for each of the partners and coordinates the financing of the NDP implementation.

4.3.2 **Delivery of budget support in Sierra Leone is highly harmonized, with an established development partners group since 2006 comprising the AfDB, European Union, UK DFID and the World Bank**. Budget support is delivered, based on a common PAF, bringing together the key indicators measuring the performance of the program and providing the key platform for policy dialogue between donors and Government. This group meets at the policy level (Head of Mission/Financial Secretary) and at the working level to monitor progress against the PAF and monitor risks to the objectives of the program. An assessment of the PAF is jointly conducted once a year. A multi-year PAF covering the period

2018-2020 is currently being finalized. The practice of embedding prior actions, in the Government's own reform agenda has helped to instill ownership of the reforms from the onset. This approach also allows the Bank to ensure smooth implementation of the FCSP and maximize the value of the Bank in convening partners and in providing predictable longer-term finance.

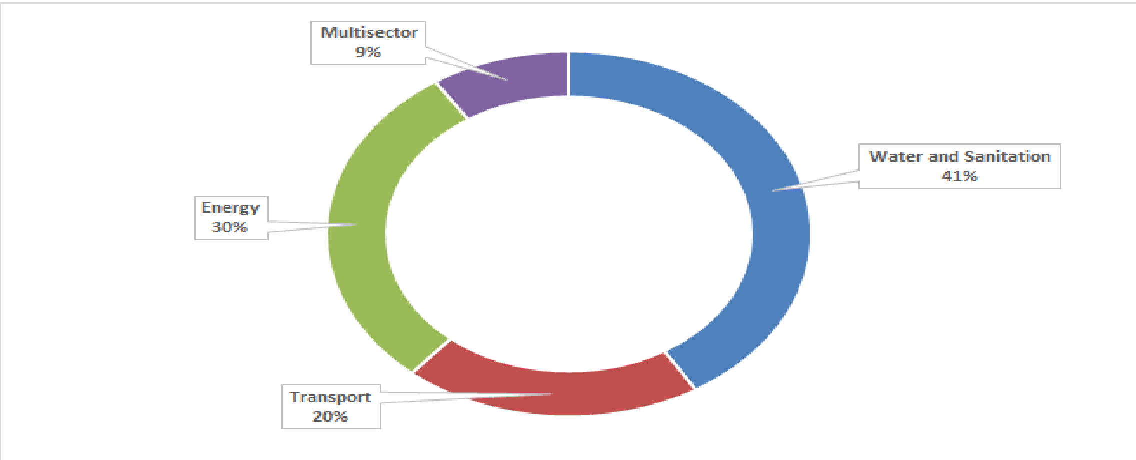
4.4 Linkage with Other Bank Operations

4.4.1 **The proposed budget support operation will be supported by the ongoing/new technical assistance and capacity building projects financed by the Bank.** While the joint capacity-building Public Finance Management Improvement and Consolidation (PFMIC) Bank financing was fully disbursed, the project is still ongoing up to March 2020 following additional financing from other development partners. The project is supporting strengthening of public outlays control and oversight and revenue mobilization and administration. The Bank is preparing the Enhancing Tax Compliance Project that is expected to support efforts to increase compliance with domestic tax obligations through the introduction of electronic cash registers to improve Goods and Services Tax collection. It will also support establishment of a scheme to help SMEs in managing their liabilities and with the institution of a national taxpayers day, thereby expanding GoSL fiscal space to fund basic services and infrastructure.

4.5 Bank's Group Portfolio's status

4.5.1 **<u>Active portfolio</u>**: As at February 15, 2019, the Bank's active portfolio comprised 18 operations with a total commitment of UA 148.52 million (USD 194.02 million). In terms of sectoral distribution, infrastructure accounts for 91 percent of the total commitment, of which water and sanitation, energy and transport account for 41 percent, 30 percent and 20 percent, respectively. The remaining 9% represents multisector (economic governance) sectors**.**

Sectoral Distribution of the Sierra Leone Portfolio (UA 148.52 million)).



4.5.2 **A Country Portfolio Performance Review undertaken in 2018 showed that the overall portfolio performance rating improved marginally** to 2.96 (on a scale of 1-4, with 1 being highly unsatisfactory and 4 highly satisfactory) in 2018, from 2.93 in 2017 and 2.90 in 2015. Although globally satisfactory, this portfolio performance needs to be interpreted with caution as it reflects the likelihood of achieving all intended outputs, but masks some critical project implementation challenges with regard to routine planning, procurement, disbursements, results monitoring and evaluation, which cut across the portfolio mainly due to delays in implementing supervision mission recommendations. The Bank and Government agreed on a portfolio improvement plan to address these bottlenecks.

4.6 Analytical Work Underpinning the Operation

4.6.1 **The design of the proposed program is anchored on analytic works and assessments of past reforms.** Those analytical pieces include the 2018-2021 Public Financial Management Strategy; the 2018 Public Expenditure and Financial Accountability (PEFA) report; the 2017 annual Multi-Donor Budget Support (MDBS) review of the PAF, lessons learned and the PCR of Bank supported PBO in Sierra Leone, and IMF reports. In addition, consultations were held with government officials and development partners. The scope of the program was also shaped by the discussions with Government, notably in the timing of the sector conditions (i.e. education) recognizing that reforms in this sector would require deeper dialogue with the sector Ministries to prepare the Government in fulfilling these conditions. The program also reflects the recommendation of the BDEV evaluation of Bank's PBOs, which encouraged stronger alignment of PBO with ISPs and complementing policy dialogue through targeted capacity building in sectors covered by a PBO. The analytical works portray Sierra Leone as facing considerable fiscal constraints and a need to improve revenue collection in order to address the substantial infrastructure gap. These reports recommend that Government prioritize infrastructure, notably electricity, in order to stimulate economic growth, which will require institutional and policy reform.

4.6.2 **The programme also took stock of lessons learned from the previous 2014 PBO**. The Inclusive Economic Management Program (IEMP) for Sierra Leone was approved in May 2014 and fully disbursed in August 2014. The main lessons learned from its implementation are summarized as follows: (i) *setting high targets when designing the program results matrix can lead to undesired outputs and outcomes if not adjusted at the midterm of the operation. There is need to have realistic baselines so that end targets could be achievable and measurable*; (ii*) there is need for effective sensitisation of all key stakeholders in government on the PAF process and on the financial implication for noncompliance of reform actions*: and (iii) *There should be strong linkages between the triggers set in the PAF and targets for output and outcome indicators in the results matrix of the programmatic operations. The baselines and targets in the results framework should be consistent with the PAF indicators to create an easy platform to monitor and evaluate reform actions*. Most of the FCSP reforms (including performance indicators) are derived from the Government medium term PFM reforms agenda embedded in the 2018-2021 Public Financial Management Strategy as indicated in the previous Paragraph. The 2018 PEFA report will be used as a monitoring tool to assess results from the program, define new areas of intervention and support fiduciary risk monitoring (See Technical Annex III).

V. PROPOSED PROGRAMME

5.1 Programme Goal and Objective

5.1.1 Sierra Leone needs to consolidate its progress from fragility to sustained resilience while managing the risks of reversal. Over the next few years, the government intends to focus on implementing the PFM strategy (2018-2020) framework, which calls for significant and far-reaching PFM reforms. On the revenue front, addressing governance concerns is a prerequisite to ensuring that government captures its fair share of revenue from extractive industry. Continued action on transparency and accountability of national resource management will help ensure that mineral wealth is not misappropriated and is used for priority development purposes.

5.1.2 FCSP overarching goal is to spur fiscal consolidation in Sierra Leone through increased resource mobilization, pro-poor budget allocation (especially for basic and secondary schools, and girls education) and strengthened budget execution oversight. In other words, the program's aim is to support implementation of the PFM, revenue management and transparency and public expenditures effectiveness and transparency. The measures supported by the PBO are expected to have a positive impact through increasing public expenditure in line with the NDP priorities and make progress towards economic growth and poverty reduction. More specifically, the program will support key reform measures in two areas aimed at (i) strengthening revenue administration, and (ii) improving effectiveness and transparency of expenditures management. Moreover, strengthening key PFM reforms, i.e. public procurement and budget transparency, will have a direct positive impact on the business environment and private sector development in the country.

5.2 Programme Components

5.2.1 **FCSP has two mutually complementary components in order to ensure the effectiveness of public action in terms of the public finance management of the country**. Sierra Leone has experienced a drop in budget revenue collection and has initiated reforms to enhance the management of the scarce financial resources and improve the efficiency and transparency of public expenditure management. More specifically, these two components are: (i) Improving revenue mobilization and debt management; and (ii) strengthening public expenditure management efficiency and transparency. This report describes the activities that will be implemented and the programme's expected outcomes. The outcome indicators that will be assessed after the closure of the programme (February 2021) are detailed mainly in the results-based logical framework.

COMPONENT I: IMPROVING REVENUE MOBILIZATION AND DEBT MANAGEMENT

Context and Recent Government Action

5.2.2 **The 2018 PEFA update showed that Sierra Leone's PFM system has improved markedly since 2014 and strong continued efforts are ongoing to modernize the systems and practices in place.** However, weaknesses remain with regard to revenue mobilization and debt management. The low levels of revenue collection, compared to par countries in SSA, limit the Government capacity (from its own resources) to implement his economic and social development agenda, hence, depending largely on external support to finance its budget. Accumulation of internal debt arrears is of concern and does not facilitate the development of small and medium enterprises (SMEs), which are the main Government service providers.

5.2.3 T**he macroeconomic impact of the extractive industries has increased significantly over the recent years.** However, the contribution of the extractive sector to Sierra Leone's public finances at present remains limited – mining sector royalties and licenses accounted for only 11% of total revenues, equivalent to 1.4% of non-iron ore GDP in 2012. Even as iron ore production picks up, total revenues are estimated to be relatively modest, picking up from just over 12% of GDP in 2013 to 14% of GDP by 2018, leaving Sierra Leone well below the average tax-to-GDP ratio for Low Income Countries of 20%. Sierra Leone therefore still has a long way to go before reaching its potential in the sector, which remains difficult to quantify at this stage. The relatively small revenue contribution is due to the informal nature of a significant part of mining activities; continuing prevalence of concessionary agreements with special tax terms; challenges in revenue collection; and young economic age of the iron ore projects, meaning that the tax liability is being offset by the upfront investment costs. The government has put in place the fiscal framework for the extractive industries, with an Extractive Industries Revenue (Act) Bill (EIRA) to consolidate existing provisions for tax and non-tax rules for the extractive industries (including petroleum) under one legislative instrument. The EIRA provides for a level playing field for all investors in the extractive sectors as far as the fiscal regime is concerned. It is expected that the EIRA will result in higher mineral revenues by bringing the minerals taxation regime, contained in mining agreements, under one set of consistently applied and transparent rules; thereby increasing overall domestic revenue. Training and sensitisation of taxpayers by NRA will be undertaken to ensure that process and system changes to implement the law are identified and put in place, and that taxpayer awareness is raised.

5.2.4 **Programme measures**. Based on the context described below, the programme will focus on the following measures to address the challenges identified. They are namely: (i) adoption of the Extractive Industry Revenue Act (EIRA in 2018); (ii) operationalization of the Revenue Mobilization Strategy in 2019 through the: (a) adoption of an implementation Action Plan; and (b) Establishment of the Technical Task Force; and (iii) Development of a Strategy to avoid the accumulation of new domestic arrears and a medium term settlement plan in 2018.

5.2.5 **The expected outcomes of this component are**: (i) improved revenue collection by increased non-tax collections from extractive industries from 1.2% in 2017 to at least 3% by 2020; (ii) improved debt management by the non-accumulation of new internal arrears and decrease of the internal debt stock below 15% by 2021.

COMPONENT II: STRENGTHENING PUBLIC EXPENDITURE MANAGEMENT EFFICIENCY AND TRANSPARENCY

Context and Recent Government Actions

5.2.6 **The NDP and the PFM reform strategy emphasize on a number of reforms to strengthen public expenditure management.** The huge wage bill is one of the key impediments to sustaining the financing of key priorities. Weaknesses in human resources management has favored the existence of ghost workers and the mismanagement of government payroll, incurring a huge burden on government budget (wages and salary represents more than 60% of revenue collected). Long-terms contracts have consistently led to over-spending which have adversely affected fiscal discipline. In this regard, enhancing public procurement effectiveness and transparency will positively enhance spending control, which is key for fiscal discipline. Finally, the persistence of gender inequality is on the account of the ineffectiveness of the education system to reduce the gender gap in access to education and the need to increase budget allocation to the education sector. Based on the above, the proposed operation will support the government's policies to further strengthen public expenditure management transparency and effectiveness under key policy measures.

5.2.7 **The challenge of enhancing fiscal transparency - a prerequisite for improving the quality of public expenditure**. The regular preparation of Budget Review Laws and their adoption by the Parliament constitute a guarantee for the proper functioning of the budget process, starting from the preparation stage to the supervision of the budget by the Auditor General and Parliament. Strengthening public procurement systems and practices is the first lever for combating corruption and ensuring efficient use of public resources. Strengthening these systems and practices requires the modernization of the tools and institutions in charge of public contracts (Code, control and regulation).

5.2.8 **FCSP will firstly support actions to control the wage bill.** The reforms to be supported in this area include: (i) operationalization of the wage bill management strategy; (ii) development of man power plans; and (iii) adoption of standard employment documents.

5.2.9 **The second focus area of FCSP will concern skills development to improve access to education (especially for Girls in primary and secondary levels).** Besides operations to protect budget allocations and education sector expenditure, the programme reforms will support increasing of budget allocation to support girls' education activities. These actions will complement investments in the sector, including those provided by the development partners for girls' education.

5.2.10 ***Lastly, FCSP will support the Government's actions aimed at enhancing budget process transparency and oversight.*** Sound public procurement systems and practices are essential for the efficient use of scarce public resources. Timely provision of budget review law for Auditor General scrutiny and further transmittal to Parliament review and approval is a key element for strengthening budget preparation and execution transparency. In addition, strengthening public procurement systems and practices is the first lever for combating corruption and ensuring efficient use of public resources. FCSP will support reforms aiming to strengthen PFM transparency in those two areas.

5.2.11 ***Expected Outcomes***: **The main outcomes expected from implementing Component II of the project are**: (i) Improved alignment of budget allocation with Government priority spending by increased public expenditure for education as a percentage of non-salary, non-interest recurrent expenditures (of which free education programme targeting Girl’s education) from 11.4% in 2017 to 21% in 2021; and (ii) strengthened procurement systems and practices with a PEFA score for PI-24 of C+ by 2021.

5.3 Policy Dialogue

5.3.1 **The Bank is a key partner and plays an important role as facilitator in policy dialogue with the authorities.** . Policy dialogue is centered in the Budget Support Group (BSG), comprising the four MDBS donors and Government, which meets at the policy level (Head of Mission/Financial Secretary) and at the working level, to monitor progress against the PAF and the risks to the objectives of the program. A review of the PAF is jointly conducted once a year. Donors and Government have agreed to undertake a comprehensive review of the PAF with a view to streamline the number of indicators and align it with the NDP.

5.3.3 **Key stakeholders in the design and implementation of reforms in the areas of public finance management were consulted during the FCSP preparation process.** These administrative entities include most of the technical departments in charge of financial and economic management. Meetings were also held with development partners providing budget support.

5.4 Grant Conditions

5.4.1 ***The 2019 prior actions proposed and the 2020 riggers are presented in Box 1***. The actions that will be supported by FCSP were identified during an appraisal mission held in August 2018. The programme monitoring measures will ensure the continuation of dialogue on public finance reform after the funds (UA 15 million) are released in the second quarter of 2019 and the first half of 2020 (indicative amount is UA 10 million). All these actions and measures are contained in the Programme Reform Policy Matrix (Annex II).

Box 1: FCSP 2019 Prior Action Matrix and 2020 Triggers

2019 FCSP Prior actions	Status of implementation (as of February 15, 2019)	Evidence of Implementation (to be provided by the authorities)	2020 Triggers
Maintenance of a Stable Macroeconomic Framework			
Prior Measure 1: Adoption of the Extractive Industry Revenue Act (EIRA)	The prior measure is completed	Letter of the Ministry of Finance (MoF) transmitting to the Bank a copy of the Extractive Industries Revenue Act, 2018	***Trigger 1***: Adoption of the National Revenue Act (NRA)
Prior Measure 2: Operationalization of the Revenue Mobilization Strategy through: (a) adoption of implementation action plan; and (b) establishment of the Technical Task Force.	The prior measure is completed.	Letter of the MoF transmitting a copy of the revenue mobilization strategy work plan confirming the establishment of the Technical Task Force and listing the names of its members.	***Trigger 2***: Submission by all Sub-Vented Agencies (SVAs) of their manpower plans for 2020 Budget to the Human Resources Management Office (HRMO).
Prior measure 3*:* Increase budget allocated to basic education by 20%	The prior measure is completed.	Letter of the MoF transmitting to the Bank a copy of the Supplementary government Budget and Statement of Financial Policies for Financial Year 2018	***Trigger 3***: Submission of 2018 public accounts to the Auditor General and the 2018 Auditor's General report on the public accounts to the Parliament for approval
Prior Measure 4: Adoption of the strategy to avoid accumulation of new domestic arrears and a medium-term settlement plan.	The prior measure is completed.	Letter of the MoF transmitting to the Bank a copy of the Strategy Notes on the Treatment of Domestic Suppliers and Contractor Arrears	***Trigger 4*:** Roll-out of the integrated web-based procurement management solution in at least five MDAs on a pilot basis
Prior Measure 5: Submission of 2016 public accounts to Parliament for approval and the 2017 public accounts to the Auditor General	The prior measure is completed.	A copy of the letter from the Auditor General to the Clerk of the Parliament submitting 2016 and 2017 Auditor's General Report on the 2016 and 2017 Public Accounts to the Parliament for approval.	
Prior Measure 6: Appointment of the independent procurement jury panel in charge of complaints/disputes	A list of nominees for the outstanding members of the IRPP has been identified and awaiting the final clearance by the Executive.	Letter from the Ministry of Finance confirming the appointment of the Independent Procurement Jury Panel members.	

5.5 Application of Good Practice Principles on Conditionality

5.5.1 **Good practice principles on conditionality were applied in the design of FCSP.** The programme measures are derived from the Government's strategic documents on poverty reduction and public finance management, thus ensuring full ownership of the reforms by the GoSL. The programme's prior actions were discussed and validated during the appraisal mission. Moreover, the budget support monitoring measures that will be implemented in 2019 and 2020 will monitor the dialogue on public finance management reforms and structural reforms. These reforms will help to consolidate macroeconomic stability and improve the quality and oversight of public expenditure.

5.6 Financing Needs and Arrangements

5.6.1 ***Table 3 below presents the Government's financing needs for 2019-2020.*** In 2019, total projected revenue stands at SLL 5,350 billion, compared with SLL 7,785 billion in total expenditure. The financing gap amounting to SLL 1,582 billion is covered by budget support from the Bank (UA 15 million); the World Bank (USD 40 million) and the European Union (EUR 25) million), as far as external financing is concerned, representing a total of SLL 175 billion. The remaining SLL 853.00 billion will be covered by the local banking sector (SLL 1,216 billion) and drawing on the resources of the International Monetary Fund (IMF) to the tune of SLL 140 billion.

Table 3: Financing Needs for 2019-2020 (SLL Billion)

		2019	2020
A	Total Revenue	5,350	6,498
B	Total Expenditure	7,785	9,500
	Including: interest payments	*1,035*	*1,196*
	Including: investments		
C	**Overall Balance**	**-1,582**	**-2,204**
..	External Financing	***1,582***	2,204
..	- ***Of which FCSP***	175	120
	- ***Of which other donors Budget support***	554	-
	Domestic Financing (net)	853	2,084
	Residual Financing Gap	0,00	0,00

Sources: Government of Sierra Leone and AfDB

5.6.2 The Bank's financing in terms of Grant will come from the Transition Support Facility (TSF) Pillar I resources amounting to UA 15.0 million from the TSF allocation to Sierra Leone.

VI. OPERATION IMPLEMENTATION

6.1 Beneficiaries of the Programme

6.1.1 **FCSP will benefit the entire Sierra Leonean population.** The direct beneficiaries of the program include MoF, Ministry of Education; oversight institutions (ASSL, NPPA). Indirect beneficiaries are the citizens of Sierra Leone, who will benefit from better PFM and improved fiscal space for pro-poor budgetary allocation for social services delivery and the private sector for increased transparency in public procurement.

6.2 Impact on Gender and Vulnerable Groups

6.2.1 **The gender perspective is mainstreamed into the economic reforms carried out in Sierra Leone and is reflected in the series of FCSP budget support operations**. Priority expenditure contains a budget line for "***Child education in the primary and secondary levels, especially for Girls***", in addition to the sector expenditure designed to benefit the disadvantaged/vulnerable social segments (Child education, especially for girls, etc.). Protecting these expenditures under the programme is essential in a context characterized by substantial revenue losses due to the closing of some mining ores. These targeted social expenditures will help to gradually bring down the Gender Inequality Index (GII), which stood at 0.645 in 2016, to 0.625 in 2021.

6.3 Impact on the Environment and Climate Change

6.3.1 ***FCSP*** is classified in Category III in accordance with the Bank's environmental and social impact assessment procedures. The strategic and institutional reforms financed by the operation should have no direct environmental impact.

6.4 Implementation, Monitoring and Evaluation

6.4.1 **The Ministry of Finance will be responsible for overall coordination of supervision and monitoring of the reform program supported by the proposed operations.** The Government will establish a Steering Committee (SC) composed of the Ministry of Finance (MoF) and all other ministries involved in the implementation of the reforms. The SC will liaise with focal points in the Ministries, departments and agencies involved in the proposed programme. The participating ministries, departments and agencies will furnish relevant information and documentation on implementation and monitoring of their respective reforms to the SC, which will oversee progress in achieving program objectives. The MoF has experience in collaboration with the Bank, IMF, the World Bank, and the European Union, which has been demonstrated by the successful attainment of the HIPC Completion Point and the successful implementation of macroeconomic and financial programme up to 2017. The Results Based Logical Framework (RBLF) provides concrete indicators and empirical benchmarks to monitor progress and enable evaluation following the end of the program in December 2020.

6.5 Financial Management, Disbursement and Reporting Arrangements

6.5.1 **Bank's assessment of Sierra Leone's fiduciary environment concluded that the fiduciary risk, remains substantial,** albeit some PFM positive reforms especially with the passage of the Public Financial Management Act (PFMA) 2016, Public Procurement Act (PPA) 2016, Audit Service Act 2014, Establishment a Treasury Single Account, Strengthening the mandate of the Internal Audit Unit and continued roll out of IFMIS to Budgetary Units (BUs). Though the performance trajectory is seemingly positive, there have been challenges regarding frequent executive approvals of unbudgeted expenditure without recourse to parliament, inadequate coverage and non-implementation of internal audit recommendations, about 24 BUs, Local Council, donor-funded projects and overseas embassies reporting outside IFMIS, and only 51 treasury accounts (out of 1004) are linked to the TSA. Nonetheless, the approval of PFMA regulations in December 2017 and the gradual roll out of IFMIS would help to strengthen controls in the PFM environment and timeliness/ transparency in financial reporting. The reforms envisaged within the program and beyond will contribute to addressing the identified fiduciary risks within the PFM system.

6.5.2 ***Treasury Management, funds flow and disbursement method:*** The program funds will be disbursed in a single tranche (UC 15.00 million Grant) for 2019 against the fulfilment of prior actions. The proceeds will be deposited into a segregated USD denominated Special Account (SA), to be opened at the Central Bank of Sierra Leone (BSL) by the Ministry of Finance and Economic Development, as a transit into Consolidated Revenue Fund (CRF) at the BSL. Similar disbursement arrangements will be made for the tranche of the second program, against fulfilment of agreed triggers for 2020. All disbursements will follow the procedures outlined in the Bank's *Disbursement Handbook 2012.*

6.5.3 ***External audit:*** In accordance with the Bank's Policy on PBOs, the external audit arrangement will follow the country's systems. The Audit Service Sierra Leone (ASSL) will be required to conduct a flow of funds audit to confirm the timing, accurate conversion of the funds (from US Dollars into Leones), and transfer into the Consolidated Revenue Fund. The audit will be conducted in accordance with the Bank-approved Audit Terms of Reference and the audit reports will be submitted to the Bank within six months after the end of the financial year during which the disbursement occurs. Actual utilization of the budget support funds will not be subject to a separate audit, but the Bank will review the annual audit reports of the Auditor General of Sierra Leone on the CRF for the years covered by the budget support program. The Bank has previously accepted the use of the ASSL for programmatic operations.

6.5.4 ***Procurement:*** **FCSP is a general budget support operation**. Hence, funds from this programme will be merged with the national budget and use for country need using national procurement system which has been found globally acceptable by the Bank. The assessment of the country's procurement procedures carried out by the Bank concluded that the national system is overall satisfactory. The procurement arrangements for the activities implemented under the budget support program will be undertaken using Government's systems. The Bank will work with the MoF to ensure that independent procurement compliance reviews are carried out during implementation as an additional fiduciary safeguard.

VII. LEGAL FRAMEWORK

7.1 Legal Instrument

7.1.1 The financing instrument used for FCSP is a TSF grant agreement between the Recipient and the ADB and ADF (as administrators for the TSF) in the sum of UA 15.00 million. ;.

7.2 Conditions Associated with the Bank's Intervention

7.2.1 **Prior Actions.** Prior to the presentation of the programme to the Bank's Board of Directors, the Government of Sierra Leone shall provide evidence of fulfilment of the prior actions outlined in Box 1.

7.2.2 **Conditions Precedent to Entry into Force of the TSF Grant Agreement.** The TSF Grant Agreement shall enter into force on the date of signature by the Recipient and the ADB and ADF.

7.2.3 **Conditions precedent to disbursement under the Grant Agreement**. The obligation of the Bank and the Fund to make the disbursement under the Grant Agreement shall be conditional upon the entry into force of the agreements and the satisfaction of the following condition:

(a) Submission of evidence of the opening of a USD denominated currency special account (the "Special Account") at the Bank of Sierra Leone 'as a transit' into Consolidated Revenue Fund (CRF) at the BSL, for the deposit of the Grant proceeds, in form and substance satisfactory to the Fund.

7.3 Compliance with Bank Group Policies

7.3.1 ***FCSP is consistent with the principles and objectives of Bank Group policies and guidelines.*** These policies and guidelines include: (i) The Bank's policies and guidelines on Programme Based Operations; (ii) Addressing Fragility and Building Resilience in Africa: The ADB Strategy 2014-2019; and); and (iii) the revised Bank Staff Guidance on Quality at Entry Criteria/Standards for Public Sector Operations.

VIII. RISK MANAGEMENT

8.1 The risks and mitigation measures were identified in the context of preparation of the programme. The main risks and mitigation measures are presented in the following table as well as the results-based logical frameworks.

Table 4: Matrix of Operational Risks

Risks	Mitigation Measures
1 - Macroeconomic risk: Sierra Leone's vulnerability to macroeconomic shocks due to its dependence on imported food and fuel as well as on primary exports and FDI.	The granting of a new Enhanced Credit Facility backing the GoSL economic and financial programme on November 30, 2018 will help sustain the macro-fiscal stance. The new elected Government has demonstrated strong commitment to maintain fiscal and monetary discipline. Development partners are considering budget support that will address fiscal space and effective implementation of the revenue modernization program.
2 - Political risks: Weakness in budget formulation and execution prevent effective allocation of expenditure.	Ongoing reforms to the budget process towards activity-based allocation; Public Investment Management public procurement and cash management, all supported by multi-donor ISPs.
3- Fiduciary risks	While the overall fiduciary risk is rated substantial, the recently conducted Fiduciary Risk Assessment (FRA) for Sierra Leone noted some significant improvements on the trajectory since 2012 PEFA Assessment (published in May 2014). The PFM legal and regulatory framework has seen positive transformation by adoption of a number of new laws although enforcement remains a challenge.
4. Implementation capacity may be a risk to reforms implementation.	Ongoing ISPs, especially the Public Financial Management Improvement and Consolidation (PFMIC), are strengthening capacity in areas supported by PBO. Those areas include notably for enhancing budget credibility, control and oversight.

IX. RECOMMENDATION

9.1 Management recommends that the Boards of Directors approve the TSF (Pillar I) Grant of UA 15 million to the Republic of Sierra Leone to finance the Fiscal Consolidation Support Programme under the conditions set out in this report.

ANNEX I: LETTER OF DEVELOPMENT POLICY

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Ministry of Finance
Treasury Building
George Street
FREETOWN
18th January 2019

GOVERNMENT OF SIERRA LEONE

Dr. Akinwumi Adesina
The President
African Development Bank Group
Avenue Joseph Anoma
01 BP 1387 Abidjan 01
Cote d'Ivoire

Dear Dr. Akinwumi Adesina,

Letter of Development Policy to Support the Disbursement of 2019 Budget Support

1. I write on behalf of the Government of Sierra Leone (GOSL) to request approval for the disbursement of the augmented amount of US$20 million as 2019 Budget Support by the African Development Bank; based on the progress towards economic development and the policy reform measures agreed with the Bank.

2. This letter of development policy summarises the recent economic development, presents the medium-term macroeconomic outlook for 2019–2021, describes the structural and sectoral reforms being implemented by the Government to support the attainment of the medium-term macroeconomic objectives, and outlines how the proposed Grant will contribute to the achievement of those objectives.

Recent Economic Developments: 2016-2018

3. **Macroeconomic performance in 2017-18 has been weak**. In 2017, election-year policy inertia contributed to a slowdown in growth to 3.8 percent from 6.4 percent in 2016. Diamond production output also fell by approximately 50 percent in 2017 as the main diamond mining company, Koidu Holdings, transitioned from open pit to underground mining. By early-2018, weak performance in the mining sector culminated in the shuttering of the main loss-making iron ore mine; as logistics cost and bottlenecks rendered operations unprofitable. We estimate that in 2017, growth in the non-iron ore economy slowed to 3.6 percent from the earlier projection of 4 percent. This slowdown also reflects the impact of subdued economic activities in the construction and distributive trade sectors, the main sectors affected by government accumulation of procurement arrears. Despite the government's reforms and a subsequent pick-up in economic activity after the second quarter of 2018, growth is expected to remain tepid at least until 2019. Price pressures were very high in the first half of 2018. Though inflation has declined from its peak of over 20 percent at the start of the last ECF arrangement, it remains high. Headline inflation increased to 16.6 percent at end-June 2018 from 15.3 percent at end-December 2017, reflecting food price developments and exchange rate depreciation pass through.

4. **The deficit for 2017 exceeded 8.7 percent of GDP, financed mostly through higher domestic borrowing, including the accumulation of arrears**. Execution of the budget in the first half of FY2018 was very challenging given the large carryover of unpaid bills from previous years. By mid-year, the original FY2018 budget approved by Parliament in December 2017 was revised to reflect the new administration's policies and programs, while at the same time lowering revenue and expenditure expectations. Revenue is expected to improve in the second half of the year, with a projected fiscal deficit of 6.8 percent of GDP in 2018.

5. **Monetary policy was largely accommodative during the period**. Strong growth in monetary aggregates driven by expansionary fiscal policy contributed to inflation pressures in the first half of the year. On an annualised basis, broad money grew to 19.8 percent at end-June, compared to the 13.4 percent envisaged under the program. In addition, credit to the private sector was unexpectedly strong, at 20.6 percent. The Monetary Policy Committee (MPC) addressed the buildup in price pressures by increasing its benchmark policy rate from 14.5 per cent in December 2017 to 15.0 percent in May 2018, and further to 16.5 per cent in July 2018. However, the tight monetary policy stance was partly weakened by BSL injection of liquidity through secondary market operations.

6. **The banking system and financial conditions remain largely sound. Banks continue to be generally well capitalised, liquid, and profitable, though there is substantial variation across banks**. The industry's capital adequacy ratio (CAR) was 43.33 percent and all the banks met the 15 percent minimum at end-June. During the same period, aggregate system nonperforming loans (NPLs) fell to 12.8 percent. This was an improvement from the 15.4 percent in March 2018 and a significant improvement on the 21.7 percent at end June 2017. The decrease in NPLs in the second quarter of 2018 reflected the implementation of loan write-off directives as banks shed non-performing loans and removed them from their balance sheet after making full provisions. Most of these were loans owed by companies in the construction and commerce sector.

7. **The current account is estimated to have widened to 14.0 percent of GDP in 2018, reflecting higher imports, especially the capital goods imports of mining companies**. The overall balance of payments deficit is estimated at US$39 million. Gross international reserves are projected at U$501 million, (3.5 months of imports). As of the end of August, the Leone depreciated against the US dollar by close to 10.4 percent (year-on-year) due mainly to the loss of iron ore mining export proceeds and increased demand from fuel importers. In addition, the non-disbursement of budget support, low exports, and higher demand for imports put pressure on the exchange rate in quarter 3 of 2018. In response, the Bank of Sierra Leone intervened through weekly auction of foreign exchange to stem depreciation and moderate the impact of second round effects.

8. **The stock of external debt increased from US$ 1.04 billion at the end of 2013 to US$1.51 billion at end 2017 and further to US$ 1.53 billion in June 2018**. Multilateral debt increased from US$ 689.8 million (66 percent of total external debt) to US$ 1.16 billion (75.8 percent of external debt). Bilateral debt increased from US$ 141 million to US$ 178 million while commercial debt decreased from US$ 213 million at end 2013 to US$192 million in June 2018. The increase in external debt was mainly driven by larger disbursements from multilateral and bilateral creditors to finance infrastructure and other projects. The stock of domestic debt increased from Le 1.97 trillion at the end of 2013 to Le 4.56 trillion at end 2017 and to further to Le5.04 trillion in June 2018. Total domestic interest payments increased from Le 275.6 billion in 2013 to Le571.87 billion during the first half of 2018.

Medium-Term Macroeconomic Outlook 2019 -2021

9. **The outlook for growth is broadly balanced**. The temporary halt of iron-ore mining early in 2018 will continue to weight on economic performance, but real GDP growth is expected to gradually increase to 5.4 percent by 2022. The main sources of growth in the medium-term are: (i) The expected resumption of iron ore mining and an increase in other mining activities5; (ii) reforms and stronger foreign direct investment in the agriculture, fisheries, and tourism sectors ; (iii) the resumption of publicly funded construction activities (iv) scaling up and improving the efficiency of public investment in roads, energy and the water supply (v) increasing investment in human development; and (vi) deepening structural and business regulatory reforms to improve competitiveness and the ease of doing business.

10. **Inflation is targeted to fall to 9 percent by the end 2022, driven by tighter monetary policy and the receding impact of fuel price increases**. The overall fiscal deficit will decline steadily, driven by stronger revenue mobilisation. In 2018 and 2019, the deficit including grants is projected at 6.8 percent and 4.3 percent of GDP respectively, as IMF and other external financing allows for a scaling up of critical expenditures. The maintenance of fiscal consolidation efforts is expected to result in a reduction in the overall budget deficit, including grants, to an average of 3 percent of GDP during 2019 to 2021. Government will strengthen capacity of debt management and implement prudent borrowing policies to ensure that the public debt falls below the threshold of 70 percent of GDP in nominal terms and 55 percent of GDP in Present Value (PV) terms, over the medium term. External debt will be kept at not more than 40 percent of GDP in Present Value terms.

11. **The current account deficit will narrow from 14.0 percent of GDP in 2018 to 11.1 percent of GDP in 2021 as exports are expected to increase faster than imports in the medium term**. Stronger foreign inflows, including FDI, from planned expansion operations in rutile, iron ore and diamond mines would finance a continued high current account deficit. Rising international reserves over the program period will strengthen external stability and the country's resilience to shocks.

12. **Growth could also receive some fillip from structural reforms**. GOSL has a strong commitment to address corruption and institute transparency and accountability, key issues that have been instrumental to poor economic outcomes in the recent past. The government is also committed to transforming the economy, promoting human development, improving governance, building institutions, developing infrastructure and adopting innovative financing strategies, all of which will contribute to improved economic performance and business climate.

13. **Nevertheless, there are risks to the outlook**. A continuous slump in the price iron ore, our main export commodity, could delay the resumption of iron ore mining, with negative implications for growth, revenues, and foreign exchange earnings. A further rise in the international prices of petroleum products would be a risk to price stability. Lastly, delays in the disbursement of budget support and the subsequent implications for financing the annual budget, could also complicate the outlook.

[5] Mining by Gerald Metals is expected to resume at the Marampa mine in 2019. Mining by Shandong Iron and Steel is expected to resume at the Tonkolili mine in 2021. Increased investments are also expected in diamond and rutile mining activities.

Government's Fiscal Consolidation Programme

14. **The key priority of fiscal policy in the medium-term is to pursue fiscal consolidation through enhanced domestic revenue mobilisation and rationalisation of expenditures to ensure fiscal and public debt sustainability**. This would create fiscal space for the implementation of an ambitious and well-planned public investment program and the Government's flagship Free Quality Education programme and expansion of social safety nets.

15. **In line with this objective, the fiscal adjustment framework will be a multi-pronged approach that lays the foundation for macroeconomic stability and economic growth**. Key elements of this framework will include: (i) a gradual and significant deficit reduction to 3 percent of GDP, with a corresponding domestic primary balance of not more than 2 percent of GDP in the medium term, (ii) Prioritisation of expenditures in 2019, while at the same time addressing the resource gaps which led to the significant accumulation of arrears in 2017 and 2018. Government aim to mobilise sufficient revenues not only to meet our spending needs, but to also allow for a gradual pay down in the existing stock of arrears. These fiscal goals will be supported by wide ranging and ongoing programme of tax policy, public financial management and administrative measures identified in the Domestic Revenue Mobilisation Strategy. Efforts will also be made to improve the efficiency of public expenditures including reforms to ensure that the integrity of the Government payroll.

Domestic Revenue mobilisation

16. **Upon assumption of power in April, we took several steps to broaden the tax base and improve revenue administration** — the measures helped alleviate the budget's short-run cash shortage and arrested the growth of arrears. The liberalisation of retail fuel effective July 13, 2018 reduced projected revenue losses in 2018 by Le235 billion. To minimise the impact of the fuel price increase on the poor and vulnerable, the government is implementing several mitigating measures as discussed in section VI. The government suspended duty and tax waivers, the abuse of which had resulted in revenue loss amounting to Le1.12 trillion during 2015-2017. The government is also streamlining the procedures for granting waivers to ensure transparency and consistency with the enabling laws and protocols. To this end, we have established a Special Committee to review the current process and develop an appropriate policy for granting duty and tax waivers. Non-Governmental Organisations (NGOs) are required to pay import duty and import GST into a Special Escrow Account at the Bank of Sierra Leone in lieu of duty and tax waivers. This amount would be reimbursed after the conduct of a post clearance audit. Requests for duty waivers by private sector organisations in respect of the Investment Agreements or Acts ratified by Parliament are being processed on a case-by-case basis. Foreign missions and international agencies continue to benefit from duty and tax waivers consistent with the Vienna and Geneva Conventions.

17. **Going forward, we will pursue several policies to further improve the efficiency of tax collection and reduce the scope for leakages**. In this regard, we aim to implement measures in the areas of tax policy, administration, and information systems (Box 1). We recognise that while efforts are being made to intensify domestic revenue mobilisation, internally generated revenues are insufficient to support the scaling up of spending on education, infrastructure and social safety nets and at the same time address the large stock of suppliers and contractor's arrears inherited. It is therefore important for development partners, in particular the World Bank Group, to provide budget support. This is expected not only to restore the credibility of the government but also to improve the asset quality of commercial banks, with positive spillover effects on the stability of the financial system.

Box 1. Revenue Mobilisation Measures

Tax Policy Measures

a. Adoption of the ECOWAS Common External Tariff (CET) which is likely to increase the current low levels of tariff.
b. Development and implementation of a policy on tax and duty waivers.
c. Development and enforcement of transfer pricing provisions.
d. Collection of revenue stamps as non-tax revenue.
e. Upward revision of fees/rates levied by MDAs.

Tax Administration Measures

a. Upfront payment of import duty, excise duty and road user charges by Oil Marketing Companies on petroleum products.
b. Strengthening the compliance of rental income tax and enhancing rental database by using third party data including Stats SL, EDSA and Local Government.
c. Strengthening the collection of income tax from professionals including lawyers, doctors, accountants and engineers.
d. Strengthening field audits of large taxpayers and conducting special audit on the sector where technical knowledge is ensured for proper assessment of tax liabilities.
e. Auditing GST registered businesses of both LTO and MTO cases that claim huge GST credits.
f. Use of third party data such as original commercial invoices information and custom intelligence to challenge under-declared import values.
g. Conducting review, standardise processing and clearance of transit goods.
h. Promoting voluntary compliance, and implementing SMEs taxpayer preparer scheme, and compliance risk management approach.
i. Construction of revenue post at new border posts to combat cross-border smuggling.
j. Implementation of NRA's anti-corruption strategy such as protection of whistle blowers and training of procurement staff.
k. Preparation of 'Strategy for Enforcement' of existing tax legislation.
l. Establishment of tax court to prosecute tax defaulters.

Tax Information System

a. Automation of tax collection process through adopting an Integrated Tax Administration System (ITAS) for domestic tax, the web-based ASYCUDA World for customs, and the electronic cash registers for Goods and Services Tax (GST).
b. Implementation of an automated payment gateway and reconciliation system to reconcile revenue in terms of tax assessed, collections, transfers and arrears.
c. Integration of the payment and reconciliation system with all banking and GOSL systems.

Expenditure Management

18. **On expenditure control and management,** the focus will be to implement the measures articulated in the Payroll strategy adopted by Government in October 2017 aimed at improving the purity and probity of the payroll so as to make the Government's wage bill manageable, accountable and transparent. To this end, significant progress has been made in addressing issues relating to improving payroll data integrity through NASSIT and BBAN Number clean up

exercises in the IFMIS HR/Payroll System. Internal Audit oversight and wage bill monitoring have also been intensified, which has helped to address other challenges such as Dual Employment. Other recent payroll reforms include the EU funded Biometric Data Collection for Civil Servants held at the Human Resources Management Office (HRMO); automation of the payroll of Sub-vented Agencies' (SVAs) into the IFMIS HR/Payroll System as well as addressing cases of Dual Employment. The Payroll Oversight Committee at the Ministry of Finance ensures that: (i) no New Employee Records created without valid NASSIT and BBAN Numbers; (ii) the National Civil Registration Numbers are utilised as Unique Identifier for Public Sector Employees; (iii) NASSIT Contributions for Public Sector Employees above 60 years and 55 years for Police and Army are discontinued; and Government funds Biometric verification of public sector workers including the establishment of a Wages and Salaries Commission.

19. **In tandem, a number of reform measures will be implemented to manage and control non-Salary, non-Interest Recurrent Expenditures and domestic funded capital expenditures**. With regards to recurrent expenditures, Government will strengthen public procurement, through which significant amounts of public expenditure commitments are undertaken. In this regard, Government will enforce the legal provision for competitive bidding and eliminate sole-source procurement transactions, except in circumstances provided for by the law. Government will also migrate from the current manual procurement processes to electronic procurement (e-procurement) system to improve transparency and ensure value for money (VFM). The Ministry of Finance will strengthen expenditure commitment control systems to avoid accumulation of arrears by will rolling out the automated PETS Form I to the MDAs. The upgrading the IFMIS to Version 7 will also help in enhancing the expenditure commitment control system by ensuring that MDAs are unable to enter into any commitment above the budgetary allocation issued by the Ministry of Finance. To the extent possible, efforts would be made to discourage extra-budgetary expenditures by improving the budget planning process and ensuring strict adherence to the provisions in the PFM Act (2016) relating to the control of extra-budgetary expenditures.

20. **To improve the efficiency of capital expenditure,** Government wholly funded projects would be included in the Public Investment Program (PIP) only after a thorough project appraisal demonstrates that the project is economically and financially viable and funding sources have been identified. The government, with assistance from the IMF Fiscal Affair's Department, will embark on the Public Investment Management Assessment (PIMA), to help government better shape public investment decision-making at all stages of the public investment cycle to ensure efficiency of public investment in driving economic growth.

POLICY REFORMS AGREED WITH THE AFRICAN DEVELOPMENT BANK

21. Since assuming office, the Government has implemented several reforms to restore macroeconomic stability by pursuing fiscal consolidation, enhancing domestic revenue mobilisation, adopting expenditure control measures and re-engaging with the International Monetary Fund (IMF) for a new Extended Credit Facility (ECF) programme.

22. With experiences of volatile economic growth in recent years due to the heavy reliance on the mining sector, the Government is cognisant of the need to diversify the economy to achieve sustainable economic growth. The budget support programme with the African Development Bank aims to support Government achieve its objective by focusing on increasing domestic revenue mobilisation, efficient expenditure management, transparency and accountability and promoting human capital development. The policy direction the Government is taking with

regards to the budget support programme agreed with the African Development Bank to achieve this objective is presented below:

23. **Extractive Industries Revenue Act 2018 –** in an effort to consolidate fiscal regimes for the mining and petroleum sectors to minimise loss of revenue, Government in 2018 enacted the Extractive Industries Revenue Act 2018 (EIRA). The EIRA provides for a level playing field for all investors in the extractive sectors as far as the fiscal regime is concerned. It is expected that the EIRA will result in higher mineral revenues by bringing the minerals taxation regime, contained in mining agreements, under one set of consistently applied and transparent rules; thereby increasing overall domestic revenue. This, in turn, will facilitate the sustainable funding of Government priority projects and poverty-reducing activities, thus reducing the need for reliance on external donor support. The Act is being implemented by the National Revenue Authority, which has established an Extractive Industries Revenue Unit, charged with the implementation of its provisions. Training and sensitisation of taxpayers by NRA will be undertaken to ensure that process and system changes to implement the law are identified and put in place, and that taxpayer awareness is raised.

24. **Domestic Revenue Mobilisation** – in its effort to increase domestic revenue mobilisation, the Government has developed and adopted a Revenue Mobilisation Strategy (RMS) 2018. The objectives of the Revenue Mobilisation Strategy (RMS) are as follows:

1. Enhancing and sustaining domestic revenue mobilisation in the medium-term is one of the key objectives of the GoSL's engagement with the IMF.
2. The Domestic Revenue Mobilisation Strategy (DRMS) is prepared to define and set the vision, goals and objectives, approaches, policies and measures for improving and sustaining DRM in the medium term: 2018-2022
3. It articulates the strategies for achieving a minimum domestic revenue of 15.8 percent of GDP by 2020.
4. The DMRS focuses on efficient and effective domestic revenue collection in order to meet the country's sustainable socio-economic development demands of becoming a higher middle-income country by 2030.
5. Thus, it will be an important driver to augment domestic revenue performances and to support private sector growth, job creation, economic growth and poverty reduction.

The RMS focuses on three key areas for improving domestic revenue collection: (i) administrative reforms aimed at increasing the tax base and effectiveness of tax collection, (ii) public financial management reforms focusing on fiscal consolidation, and (iii) policy reforms to enhance policy framework for improved revenue collections.

To ensure the effective implementation of the RMS, an Annual Action Plan and a summary report on the methodology used in developing the plan has been developed and adopted by the National Revenue Authority and the Ministry of Finance in July, 2018. This plan comprises sequenced measures with their potential revenue impact to support Government's goal of improving domestic revenue mobilisation. A technical task force has also been established to oversee the implementation of the Annual Action Plan under as part of the framework for the implementation of the Public Financial Management Reform Strategy.

25. **Promoting Human Capital Development (Free Education)-** the primary objective of the Government under the New Direction Agenda, is to increase access to quality pre-primary, primary, secondary, technical and vocational education (TVET) and training as well as university education to promote human capital development and to ensure that its citizens can

engage in meaningful productive economic activity. Government education policies focuses on education governance and financing, human resource management, teaching, primary and secondary school management and supervision, TVET and university education.

The Government's flagship Free Education Programme became effective in September 2018. The programme covers pre-primary, primary, junior secondary and senior secondary education with an estimated total enrolment of 2,141,356 pupils.

To finance its policies in education, Government in its Supplementary Government Budget and Statement of Economic and Financial Policies 2018, allocated 21 percent of primary expenditures to the sector. The allocation includes, salaries of teachers, supports to the free basic and secondary education, tertiary education institutions, the Teaching Service Commission and the Tertiary Education Commission. In the Government Budget and Statement of Economic and Financial Policies 2019, an amount of Le 1.14 trillion representing 21 percent of the total budget is allocated to the sector.

26. **Efficient Expenditure Management- Strategy to Avoid the Accumulation of Arrears-** the biggest challenged faced by the Government upon assuming office in April 2018 is the issue of arrears inherited from the previous Government. The total stock of domestic arrears including outstanding payments to contractors for goods and services and for infrastructure projects amounts to Le 10.7 trillion or US$ 1.4 billion. To address this, Government as a first step, subjected the arrears to financial technical audit by the Auditor General and is developing a strategy for clearing the arrears, upon completion of verification by the Auditor General.

Government has also taken measures to avoid the accumulation of new arrears in the future. A Strategy to Avoid the Accumulation of Arrears has been developed and adopted. In addition, Government will institute controls in the procurement of goods and services by mandating MDAs to adhere to procurements plans approved by the Ministry of Finance.

27. **Promoting Transparency and Accountability: The Independent Procurement Review Panel (IPRP)-**

To promote transparency and accountability, Section 20 (1) of the Public Procurement Act 2016 establishes the Independent Procurement Review Panel (IPRP) for the purpose of conducting independent administrative reviews of challenges to the process of the award of decisions and complaints arising out of the procurement processes of Ministries, Departments and Agencies of Government.

The Panel consist of five (5) members who include:
One (1) Chairman and two (2) other members appointed by the Minister of Finance from among eminent Sierra Leoneans with a background in public procurement or public private partnership, the business community, university, the legal profession and other relevant fields. The Attorney-General and Minister of Justice or his representative and the Executive Secretary, Sierra Leone Chamber of Commerce, Industry and Agriculture or his representative are the other two (2) members. The Chairman and the other two members (who do not represent statutory institutions) hold office for a period of three (3) years which is renewable, upon expiry, for another period of three (3) years.

The IPRP may engage the services of such consultants and advisers, or co-opt persons with specialised expertise as it may require for the proper and efficient discharge of its functions; but such persons shall not have any voting power in decision making.

In addition to the five members of the Panel, the Minister of Finance shall appoint a secretary to the panel who is a legal practitioner to carry out its administrative work and facilitate the conduct of the Panel’s business and the Secretary shall attend all the meetings of the panel but has no voting rights.

The IPRP adjudicates on complaints from aggrieved bidders in accordance with the procedures contained in Part VII of the Public Procurement Act 2016 at Sections 63-65. the remedies that may be ordered by the Panel include:

i. prohibiting a MDA from acting or deciding in an unauthorised manner or from following incorrect procedure;
ii. annulling in whole or in part any unauthorised act or decision by an MDA; including contract award or any decision or act bringing the contract into force;
iii. reversing a decision by an MDA or substituting the Panels' own decision for such a decision;
iv. award of costs incurred in participating in the bidding process where the results were not in accordance with the Public Procurement Act 2016

During the adjudication of a complaint from an aggrieved bidder, an MDA is not allowed to proceed with the procurement process for which the Panel has received a complaint.
The decisions of the IPRP are final.

Conclusion

28. Mr. President, as stipulated above, Government has made significant progress in the implementation of policy reforms agreed with the African Development Bank under the budget support programme. Government is confident that the effective implementation of the reform measures contained in the program will contribute to its meeting its medium-term economic objectives and support economic growth, reduce poverty and diversify our economy.

29. However, despite the improvement in domestic revenue mobilisation, the urgent need to improve human and physical capital development, which are binding constraints to sustainable and inclusive growth require additional financial resources. Therefore, whilst efforts continue to mobilise revenue, the financial assistance, particularly budget support, remains critical to the effective delivery of public services.

30. Your approval of this disbursement request, therefore, will enable Government to deliver the planned level of services to the people of Sierra Leone.

Please accept the assurances of our highest consideration,

30/1/2019

Jacob Jusu Saffa
Minister of Finance

ANNEX II: FCSP: MATRIX OF PROGRAMME REFORM MEASURES (2018-2019)

(The measures precedent to disbursement of the 2019 budget support are in bold and 2020 triggers in italics)

Strategic Development Objectives	2018 Reform Measures	2019 Reform Measures	Ministries Concerned	Outcome Indicators	Targeted Outcomes		NDP Objectives
					Baseline Value	Target	
	COMPONENT I: IMPROVING REVENUE MOBILIZATION AND DEBT MANAGEMENT						
1. Increased revenue mobilization	**The Extractive Industry Revenue Act (EIRA) is adopted** **The revenue mobilization strategy (RMS) is operationalized through: (a) adoption of an implementation action plan; and (b) establishment of the technical task force.**	*The National Revenue Act (NRA) is adopted*	Ministry of Finance	Extractive Industry Revenue Act National Revenue Act RMS implementation action plan; and technical task force.	EIRA not adopted in 2017 NRA not adopted in 201815 RMS not operational in 2017	**Adoption of EIRA in 2018** **Adoption of the State Accounting Plan in 2016** **RMS operationalized in 2018**	**<u>Pillar IV:</u> Governance and Accountability for Results**
2. Improved debt management	**Development of a strategy to avoid the accumulation of new domestic arrears and a medium term settlement plan**		Ministry of Finance	Internal Debt management strategy (IDMS) and medium term settlement plan	No IDMS and settlement plan	IDMS and settlement plan adopted in 2018	**<u>Pillar IV: Governance and Accountability for Results</u>**

	COMPONENT II: STRENGTHENING PUBLIC EXPENDITURE MANAGEMENT EFFICIENCY AND TRANSPARENCY						
3. Improved budget allocation and execution		*All Sub-Vented Agencies (SVAs) submitted manpower plans for 2020 Budget*	Ministry of Finance	Manpower plans	Only Human Resources Management Office (HRMO) submitted manpower plan and there is no link between manpower plan and budget in 2017	SVAs submitted manpower plans for 2020 budget in 2019	
		Standards documents adopted that employing agencies are required to send to MoF when new posts added to payroll	Ministry of Finance / Ministry of Basic and Secondary Education	Standard employment documents	No standard employment documents	Standard employment documents adopted in 2019	
	Increased budget allocated to basic and secondary education: at least 8 % in the 2019 Budget Law			Education budget allocation (in % of non-interest / salaries expenditures)	4% of total budget in 2017	Increased budget allocated to basic and secondary education: at least 8 % in the 2019 Budget Law	**Pillar I: Human Capital Development**;
4. increased transparency in public finance management	Increased budget allocated to secondary girl child programme		Ministry of Finance	Secondary school girl child programme (in % of non-interest / salaries expenditures	0.2% in 2017	At least 0.5% in 2019 Budget Law	
	Basic and Secondary Budget Execution			Basic and Secondary Budget executed	75 % in 2016	Basic and education budget execution > 90 % in 2019	
	Submission of 2016 public accounts to Parliament for approval			2016 public accounts	2016 Public accounts not submitted to Parliament in 2018	2016 public accounts submitted to Parliament in 2018	**Pillar IV: Governance and Accountability for Results**
	2017 public accounts submitted to the Auditor General in 2018			2017 public accounts	2017 Public accounts not	2017 public accounts	

	Appointment of the independent procurement jury panel in charge of complaints/disputes resolution in 2018	*2017 Public accounts submitted to Parliament for approval* *2018 public accounts submitted to the Auditor General in 2019* *The recipient has rolled-out the integrated web-based procurement management solution in at least five MDAs on a pilot basis in 2019*		2017 Public accounts 2018 public accounts Independent procurement jury panel Integrated web-based procurement management solution	submitted to the Auditor General 2017 Public accounts not submitted to Parliament for approval 2018 public accounts not available No independent procurement jury panel No Integrated web-based procurement management solution	submitted to Auditor General 2017 Public accounts submitted to Parliament for approval 2018 public accounts submitted to the Auditor General in 2019 Independent jury panel established in 2018 Integrated web-based procurement management solution rolled-out to at least five MDAs in 2019	

<u>ANNEX III</u>: NOTE ON RELATIONS WITH THE IMF

IMF Executive Board Approves US$172.1 Million Arrangement under the Extended Credit Facility for Sierra Leone

November 30, 2018

- The Executive Board's decision enables an immediate disbursement of US$21.5 million to Sierra Leone.
- The country's ECF-supported program aims at tackling new challenges that have arisen since June 2017 while at the same time, improving the prospects for long term growth.
- Forceful implementation of the program, especially on revenue mobilization and expenditure control, will be essential to achieve fiscal sustainability and medium-term growth objectives.

The Executive Board of the International Monetary Fund (IMF) today approved a new 43 months arrangement for Sierra Leone under the Extended Credit Facility (ECF) for SDR124.44 million (about US$172.1 million), equivalent of 60 percent of Sierra Leone's quota in the IMF, to support the country's economic and financial reforms.

The Executive Board's decision enables an immediate disbursement of SDR15.555 million (about US$21.5 million). The remaining amount will be phased over the duration of the program, subject to semi-annual reviews.

The authorities' ECF-supported program aims at tackling new challenges that have arisen since June 2017 while at the same time, improving the prospects for long-term growth. In particular, addressing the fiscal slippages, adjusting the medium-term framework to correct for these slippages and account for recent external shocks, and supplementing the structural reform agenda to better tailor it to current circumstances, including in the areas of central bank safeguards and governance. Forceful implementation of the program, especially on revenue mobilization and expenditure control, will be essential to achieve fiscal sustainability and medium-term growth objectives.

Following the Executive Board discussion on Sierra Leone, Deputy Managing Director Mr. Tao Zhang, and Acting Chair, said:

"The goals of the new program remain focused on reducing inflation, mobilizing revenue to allow for necessary spending consistent with debt sustainability, safeguarding financial stability, and maintaining external resilience to shocks. These are critical for strong, sustained growth.

"Revenue mobilization is central to the success of the program. In the near term, maintaining the improved revenue performance of the last several months is essential for preventing a reemergence of budget arrears and establishing budget credibility. Over the longer term, sustainably higher revenue is needed to support the government's policy goals of boosting investment in infrastructure and social protection.

"Controlling expenditure commitments requires increasing the accountability, transparency, and oversight of quasi-government institutions and state-owned enterprises. Effective implementation of the public finance management regulations is an integral part of this effort.

The government's recent reform to operationalize the Treasury Single Account is a welcome step, as are policies to ensure that spending commitments are in line with the available financing envelope. More broadly, these efforts will lead to better governance, helping promote macroeconomic stability and inclusive growth.

"The program aims to reduce the country's debt burden over the longer term. Infrastructure spending remains essential to improving growth prospects, but the country's high debt means that priority should be given to projects with high economic returns. External borrowing will be anchored by the objective of reducing the risk of debt distress.

"Monetary policy will remain focused on bringing inflation down to single digits over the medium-term, while the Bank of Sierra Leone (BSL) continue to strengthen its capacity to use indirect instruments. The volatile external environment underscores the importance of increasing exchange-rate flexibility and maintaining reserve buffers.

"As banks' role in the economy grows, the BSL's supervisory and regulatory regime will need to be upgraded to ensure that the sector remains sound. Legislation pending parliament approval should improve the oversight and functioning of the financial system. The BSL's enhanced supervision of the state-owned banks has improved their operations and balance sheets and should continue, but the banks need to be placed on a firmer commercial footing to prevent a reoccurrence of their politically motivated, loss-making lending practices. Strengthening the BSL's governance framework remains a priority, and the program's measures to better safeguard the integrity of the BSL's foreign exchange reserves will be important for increasing public trust in the institution."

Annex

Recent Economic Developments

The new government elected in April 2018 has vowed to bring about a fundamental improvement in economic stewardship.

Macroeconomic developments for 2017–18 have been weaker than hoped for in the previous program that went off track. Growth this year is projected at 3¾ percent compared with 6 percent in the program, largely reflecting weaker performance in the iron ore sector culminating in the shuttering of the main loss making mine early this year. Tight liquidity conditions related to the budget's cash shortfall, the arrears buildup, and the correspondingly limited space for government spending on programs and projects are likely to have been headwinds for non-mining growth. Inflation is below its peak of over 20 percent at the start of the previous program but remains high at 19.29 percent in October 2018, reflecting a combination of factors including food price developments and exchange rate pass through. The suspension of iron ore mining and exports together with the rise in imported fuel prices have negative implications for the balance of payments and budget revenue. The shutting down of iron ore mining alone is expected to bring gross exports down by $100 million per year.

The authorities initially focused their efforts on the sort of corrective actions that aimed to bring the program back on track and complete the first review. But given the long delay, the size of the fiscal slippages, and a macro-financial environment that has changed substantially since the arrangement was approved in June 2017, the authorities have opted to cancel the June 2017 arrangement and replace it with a new arrangement. This approach would maintain the key structural elements of the previous program while more appropriately tailoring conditionality to present circumstances.

Program Summary

The objectives of the previous program remain appropriate, but circumstances call for a recalibration of the program framework. The main objectives of the current program are to safeguard macroeconomic stability, deepen structural reforms, and advance the country's Education for Development and poverty reduction agendas. The program will be based on a set of policies that would lead to sustainable macroeconomic outcomes. These include sustainable fiscal policy, debt and public finance management; low inflation and higher foreign reserve coverage; a safe and sound financial system; improved central bank governance; inclusive growth, expanded social safety net, and improved business environment.

Growth is expected to reach 5.1 percent in the medium-term. Average inflation is expected to fall to 16 percent by end-2019, declining to 9.6 percent by the end of the program. Although a temporary bump from the increase in retail fuel prices and any need for exchange rate depreciation will be headwinds, the macroeconomic framework is sufficiently robust to allow for the achievement of the inflation objective.

Sierra Leone's fiscal strategy is anchored on the principle that ambitious revenue mobilization is needed to boost infrastructure and social spending but is designed to be sufficiently robust to achieve the deficit reduction needed to stabilize and reduce public debt even in the event of unforeseen shocks. To this end, the authorities' Fiscal Adjustment Framework is a multipronged approach to meeting the government's policy objectives in a sustainable way that lays the foundation for macroeconomic stability and economic growth.

To succeed, the program aims to address the country's large public debt burden. Sierra Leone's domestic and external debt levels have been high for some time, in part reflecting past borrowing to address the infrastructure deficit. The recent fiscal slippages and weaker output growth have added to this challenge, and Sierra Leone is now classified as being at "high risk" of debt distress.

In addition to macroeconomic adjustment, program objectives will be achieved through the implementation of the structural reform agenda, including in the areas of central bank safeguards and governance. Forceful implementation of the reforms, especially on revenue mobilization and expenditure control, will be essential to achieve fiscal sustainability and medium-term growth objectives.

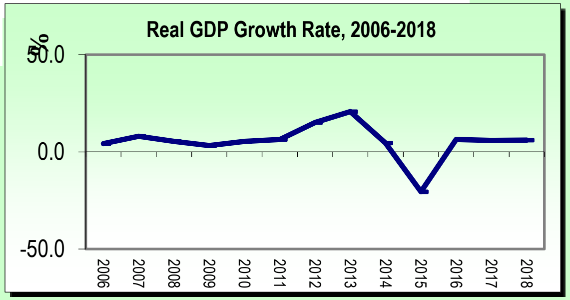
Background

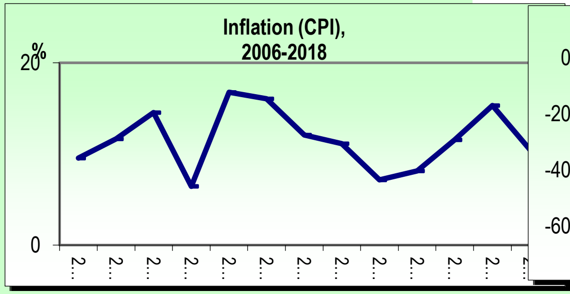
Sierra Leone, which became a member of the IMF on September 10, 1962, has an IMF quota of SDR207.4 million.

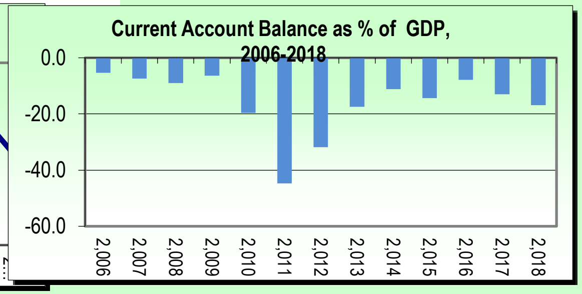
ANNEXE IV – SELECTED MACROECONOMIC AND FINANCIAL INDICATORS

Indicators	Unit	2000	2013	2014	2015	2016	2017 (e)	2018 (p)
National Accounts								
GNI at Current Prices	Million US $	568	4 016	4 358	3 549	3 230	...	...
GNI per Capita	US$	140	650	690	550	490	...	...
GDP at Current Prices	Million US $	636	4 920	5 015	4 248	3 861	3 754	3 991
GDP at 2000 Constant prices	Million US $	636	2 267	2 371	1 885	2 004	2 121	2 250
Real GDP Growth Rate	%	3,8	20,7	4,6	-20,5	6,3	5,8	6,1
Real per Capita GDP Growth Rate	%	0,9	18,1	2,3	-22,2	4,1	3,6	3,9
Gross Domestic Investment	% GDP	8,0	13,8	13,7	15,4	19,1	21,8	22,9
Public Investment	% GDP	5,2	5,8	4,7	5,2	6,5	5,4	5,5
Private Investment	% GDP	2,8	7,9	9,0	10,2	12,6	16,5	17,3
Gross National Savings	% GDP	-1,4	-4,8	-7,2	-5,9	-6,4	-0,8	1,8
Prices and Money								
Inflation (CPI)	%	-0,8	11,1	7,2	8,1	11,5	15,3	10,5
Exchange Rate (Annual Average)	local currency/US$	2 063,1	4 332,5	4 524,2	5 080,8	6 289,9	7 353,3	7 992,2
Monetary Growth (M2)	%	33,0	16,3	12,8	4,8	17,0	12,0	...
Money and Quasi Money as % of GDP	%	19,7	26,2	27,7	30,5	31,7	31,3	...
Government Finance								
Total Revenue and Grants	% GDP	19,4	13,3	14,0	15,6	15,3	15,4	14,6
Total Expenditure and Net Lending	% GDP	28,7	14,1	17,9	20,7	21,0	22,2	22,2
Overall Deficit (-) / Surplus (+)	% GDP	-9,3	-0,8	-3,9	-5,2	-5,7	-6,8	-7,7

External Sector									
Exports Volume Growth (Goods)	%	25,2	56,7	2,6		-34,0	12,5	-14,1	16,5
Imports Volume Growth (Goods)	%	51,4	-17,7	6,7		-5,7	-13,6	21,1	7,0
Terms of Trade Growth	%	-9,1	-3,4	-16,0		-22,3	9,0	12,4	-0,6
Current Account Balance	Million US $	-56	-859	-561		-610	-302	-488	-673
Current Account Balance	% GDP	-8,8	-17,5	-11,2		-14,4	-7,8	-13,0	-16,9
External Reserves	months of imports	2,4	2,5	2,3		3,7	4,0	3,1	3,1
Debt and Financial Flows									
Debt Service	% exports	45,9	1,9	3,0		8,0	4,4	6,3	6,1
External Debt	% GDP	136,7	21,3	22,5		29,4	36,1	43,5	45,1
Net Total Financial Flows	Million US $	185	555	1 138		870	799	...	...
Net Official Development Assistance	Million US $	181	449	914		946	693	...	...
Net Foreign Direct Investment	Million US $	39	430	404		519	516	...	...







Source : AfDB Statistics Department; IMF: World Economic Outlook,April 2018 and International Financial Statistics, April 2018;
AfDB Statistics Department: Development Data Portal Database, April 2018. United Nations: OECD, Reporting System Division.

Notes: … Data Not Available (e) Estimations (p) Projections Last Update: May 2018

ANNEX V : MAP OF SIERRA LEONE