



Building Resilience for Inclusive Green Recovery

A brief analysis of the 2022 budget

budgfi

About BudgIT Sierra Leone

BudgIT Sierra Leone is a civic organization that makes the Sierra Leone budget and public data more understandable and accessible across every literacy span. BudgIT's innovation within the public circle comes with the creative use of government data by presenting it in simple tweets, interactive formats, or infographic displays. Our primary goal is to use creative technology to intersect citizen engagement with institutional development to drive societal change in Sierra Leone.

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Source: Sierra Leone's Ministry of Finance

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Abbreviations / Acronyms

Acronyms	Full Meaning
ICT	Information Communications Technology
GDP	Gross Domestic Product
TSA	Treasury Single Account
NPPA	National Public Procurement Authority
MDAs	Ministries, Departments, and Agencies
G20	A Group of Twenty
RCF	Rapid Credit Facility
SDR	Special Drawing Rights
CCRT	Catastrophe Containment and Relief
NEMS	National Emergency Medical Services
IMF	International Monetary Funds

Introduction



The 2022 Sierra Leone budget, themed “building resilience for inclusive green recovery,” details the government's plan to address the numerous challenges facing the country, including a weakened economy from the effects of COVID-19 and the Ukraine War; increasing food shortages; natural disasters; and climate change risks. The GOSL claims it will address these issues through advancing infrastructure and human capital development, yet funding allocated to the capital sector suggests otherwise.

As of September 2021, the country's inflation rate was 11.3 percent. The Leone is devaluing due to pressure from a weaker economy, rising imports, and a widening trade deficit. Despite the 2021 budget's subpar macroeconomic performance, the GOSL expects the economy to expand by 5.0 percent in 2022. This assertive action could negatively affect foreign direct investments in the nation.

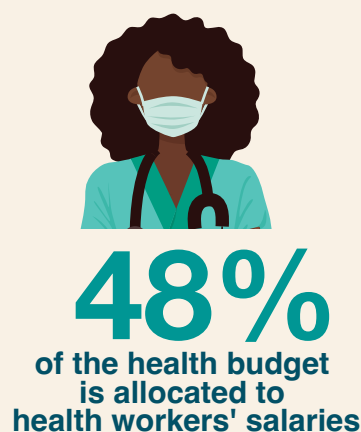
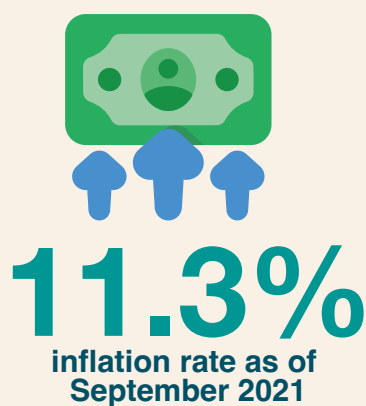
The projected expenditures for 2022 are Le11.81 trillion (\$981m), a 10% increase over the estimated budget for 2021 (Le10.7 trillion), and the projected revenue is Le9.94 trillion (\$825m), an 8% increase over the estimated budget for 2021(Le 9.19 trillion). With a grant of Le 2.3 trillion (\$191m), the budget has a deficit of Le 1.87 trillion (\$155m).

The government's spending priorities for FY 2022 are the education sector, which stands at Le 1.7 trillion, or 22 percent of the budget. Notably, a sizable portion of this amount is used to pay wages and salaries, while only Le 344.8 billion funds teaching and learning materials, feeding, and WASSCE payments. The government anticipates receiving Le 861.4 billion in foreign aid to support construction projects and educational initiatives.

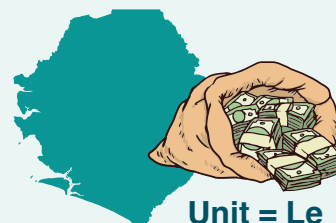
With a meager budget of Le896.7 billion, the government's apparent lack of priority for the health sector can be seen in the allocation of this money, which allots about 48% (Le433.1 billion) to pay salaries for health workers. The remaining funds are expected to purchase medications, clean health facilities, build a diagnostic medical center for Le4.9 billion, and renovate and expand PHUs for Le3.5 billion. The government of Sierra Leone anticipates receiving Le 340.7 billion in total to fund health initiatives. Social protection (Le28.0 billion), capital infrastructure support from development partners (Le149.8 billion), the agriculture sector (Le278.0 billion), and other priorities are listed below.

Numerous budgetary items demand the government's attention due to the strained state of the economy and increased risks to revenue generation. Capital projects are frequently given less consideration when there is a budget shortfall.

The government must commit to streamlining all revenue, including boosting domestic revenue mobilization through a more proactive tax policy and compliance procedures. Give organizations like the National Income Authority (NRA) more authority so they can reform taxation and support local, district, municipal, and city councils in their attempts to mobilize tax revenue. To encourage openness and value for money, the National Public Procurement Authority (NPPA) ensures all MDA organizations properly adhere to the procurement regulations. The recent Electronic Procurement System (e-GP) is a laudable effort to digitize all public procurement and curb wastage of public funds. The government must ensure strict compliance with these efforts, and public procurement must be open to the public.



2022 Fiscal Framework



Revenue



Income Tax Revenue
2.71tn



Goods and Services Tax
1.46tn



Customs and Excise Revenue
1.74tn



Mines Revenue
316bn



Other MDAs Revenue
1.13tn



Road User Charges & Vehicle Licences
226bn



Grants
2.30tn

Total Revenue and Grants

9.94tn

DEFICIT

1.89tn

Expenditure



Wages & Salaries
3.90tn



Goods and Services
1.32tn



Subsidies and Transfers
1.52tn



Interest payments
1.44tn



Capital Expenditure
3.64tn

Total Expenditure

11.81tn

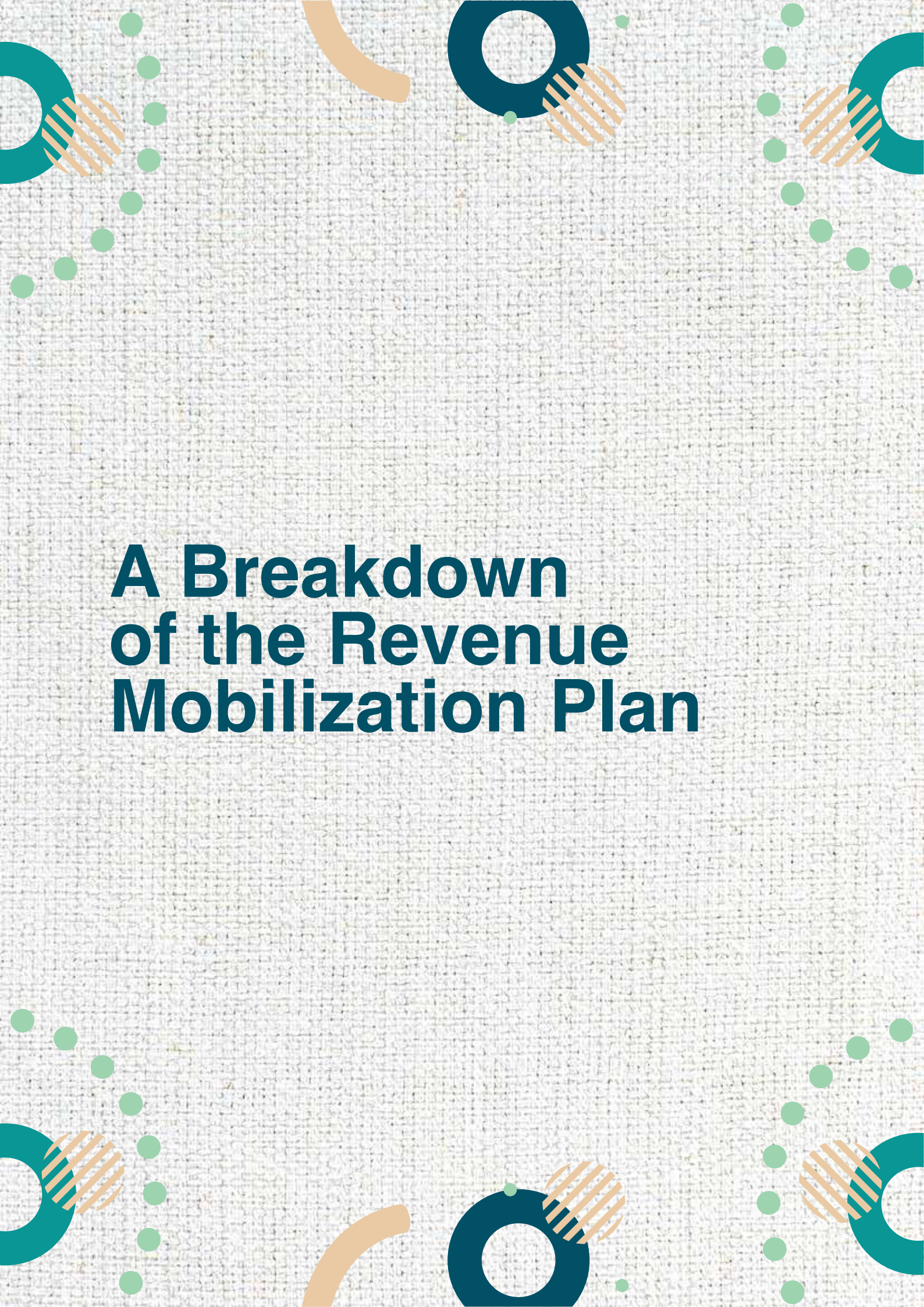
Quick Review of Revenue Mobilization

Domestic revenue (including taxes, duties, and other internally generated revenue) increased from 12.3% of GDP in 2017 to 14.1% of GDP on average between 2018 and 2020. Despite its improvements, it still lags behind its peers. According to a recent World Bank Tax Gap Analysis, there is a 3.5% tax deficit compared to a 17.4% potential tax collection over the medium term.

According to a recent World Bank Tax Gap Analysis, over the medium term, there is a 3.5% tax deficit versus 17.4% potential tax collection.

As a result, the government must put more effort into modernizing tax collection, enhancing tax compliance, boosting the tax base, and eventually getting rid of expensive tax exemptions.





A Breakdown of the Revenue Mobilization Plan

Income Tax Revenue



Income tax is expected to contribute

27.3%

of the anticipated revenues,

making it the government's main source of funding as it contributes the most to total yearly revenue.

Unit = Le



Income Tax Revenue

2.71tn



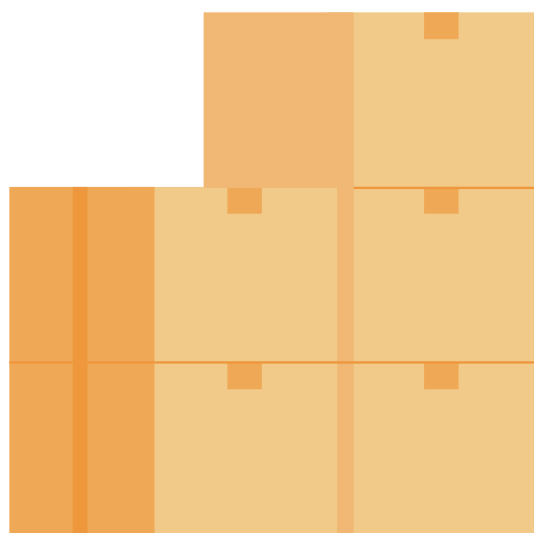
Corporate Tax
805bn



Personal Income Tax-
incl. Govt PAYE

1.09tn

Goods and Services Tax



The goods and services tax (GST), which is a tax on goods and services sold domestically for consumption, is expected to generate

14.7%
of projected revenue for 2022

Unit = Le



Customs and Excise Revenue



Customs and excise taxes are expected to contribute

17.5%

of total revenue in 2022

These are funds from customs products and excise duty levied on goods outside the country and domestically manufactured goods.

Unit = Le



Mining products Revenue



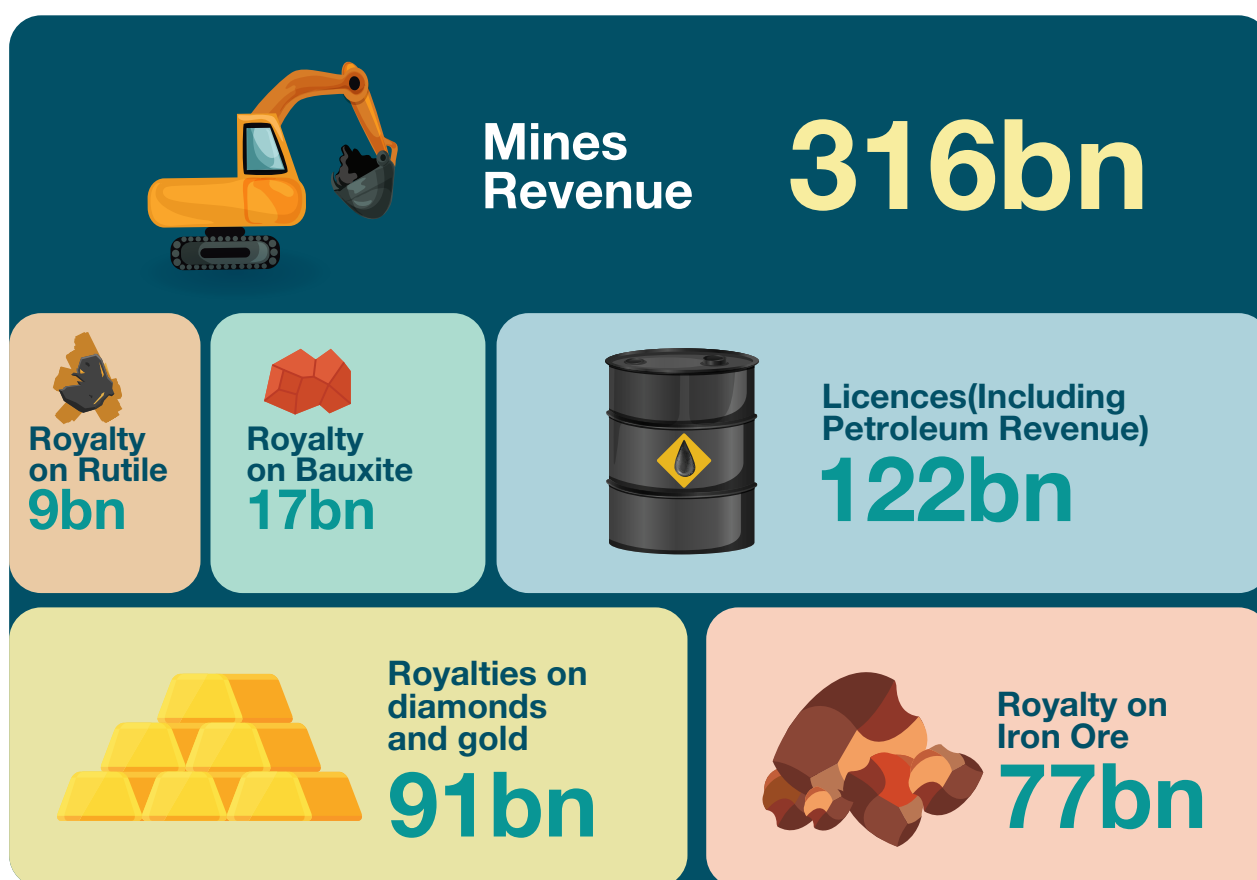
Profits from the sale of minerals or other mined products will account for

3.2%

of the anticipated revenue in 2022

It is the least contributor to the projected revenue.

Unit = Le



Other MDA'S Revenue



13.7%

of projected revenue in 2022

is expected to come from other MDA revenue

Unit = Le



Other Departments **1.36tn**



Royalties etc.
on Fisheries
142bn



Parastatals
125bn



Road User Charges
& Vehicle Licences

226bn



Other Revenue

863bn

Grants



In 2022, grants which are non-refundable funds awarded to the government to carry out projects are expected to account for

23.2%
of total revenue

It is the second-largest source of funding for governments, behind income taxes.

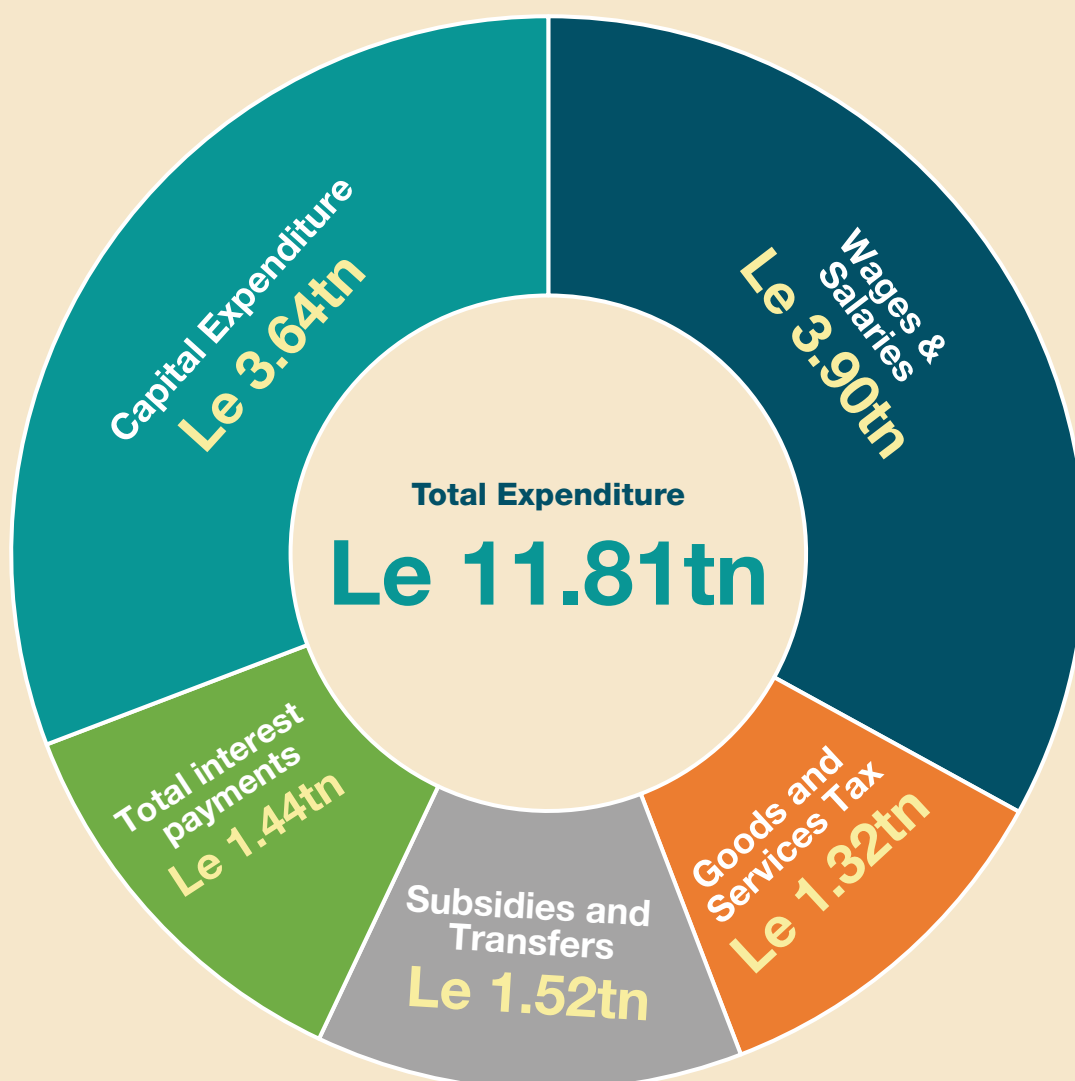
Unit = Le



A Quick Review of Expenditure

A total budget of Le11.81tn is proposed for 2022 expenditure, which, at the current exchange rate(12,045), is equivalent to approximately \$981m. Wages and salaries of ministries, departments, and agencies are projected to increase to Le3.90tn from Le3.75tn in 2021. Non-debt recurrent expenditures are also rising, with a 4% increase over the 2021 estimated amount of Le6.49tn.

In 2022, the government of Sierra Leone intends to intensify efforts to streamline payroll, enhance the delivery of goods and services, bolster the management of capital expenditures, and continue rationalizing costs to improve budget execution and impose stricter controls to reduce wasteful spending.





A Breakdown of the Expenditure Distribution

Wages & Salaries



33%

of the total expenditures

will be used to fund the salaries and wages of elected public officials; it has consistently received the largest annual allocation from the overall budget.

Unit = Le



Subsidies and Transfers

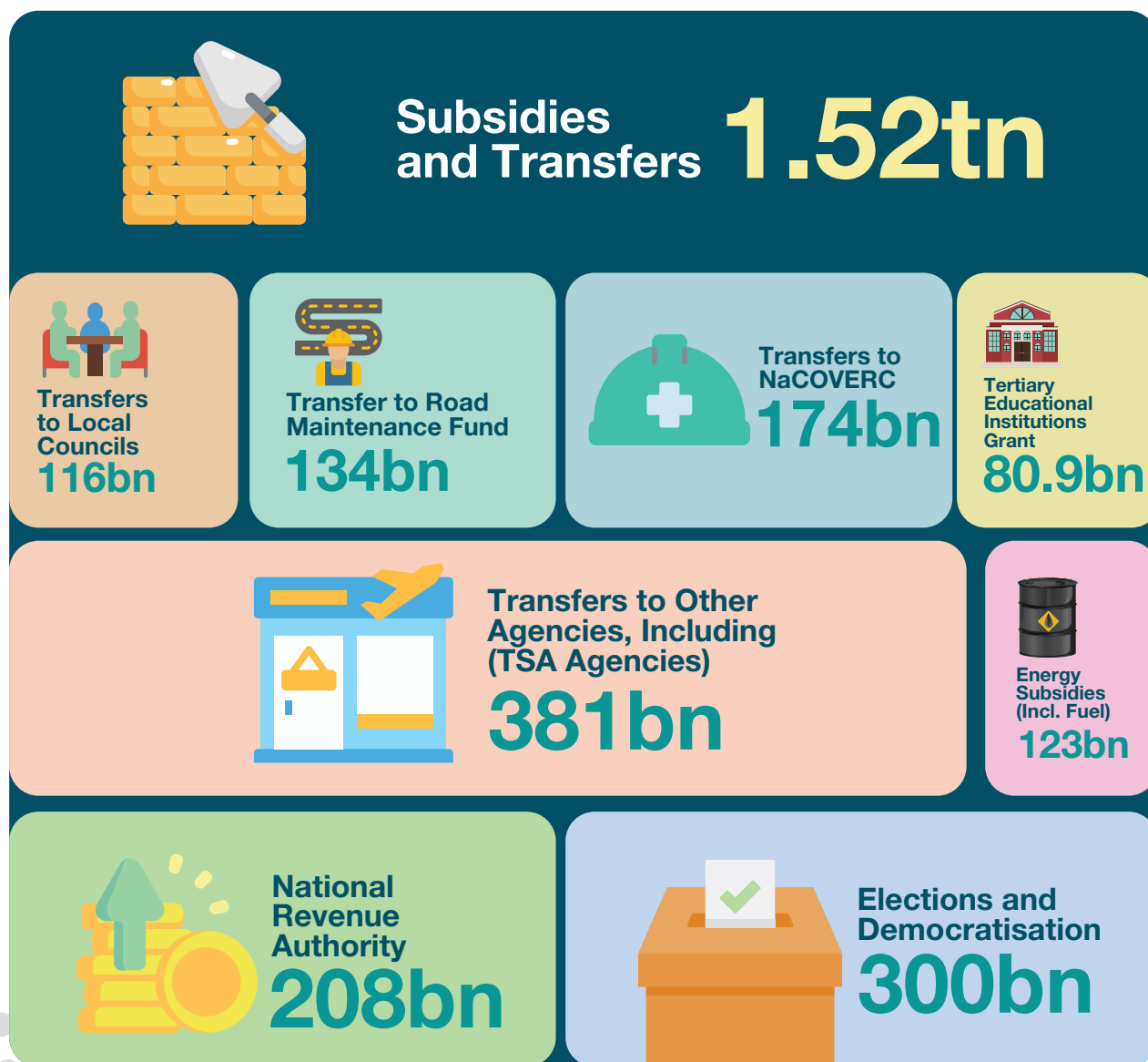


will be allotted to the subsidies and transfers category of government spending. These are types of financial assistance that governments provide to specific industries or economic sectors in order to support or maintain what are regarded as essential pillars of the nation's infrastructure or economy.

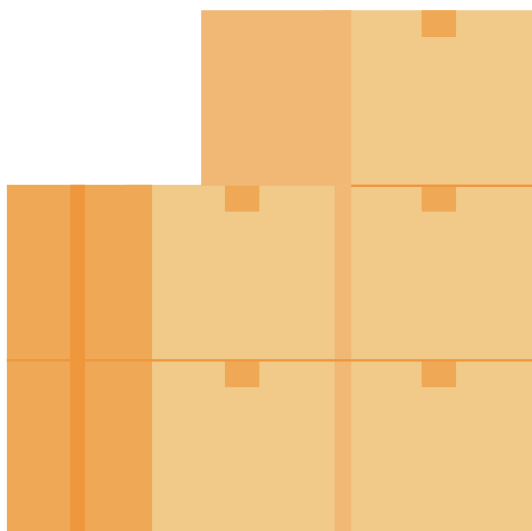
These are types of financial assistance that governments provide to specific industries or maintain what is regarded as critical pillars of the nation's infrastructure or economy.

The government apportioned more money to regional councils and other government organizations to encourage transparent and democratic decision-making for development.

Unit = Le



Goods and Services



11.2%

of the total expenditure

will be allotted to fund goods and services such as providing free secondary education programs and other services for the citizens.

Unit = Le



Capital Expenditure

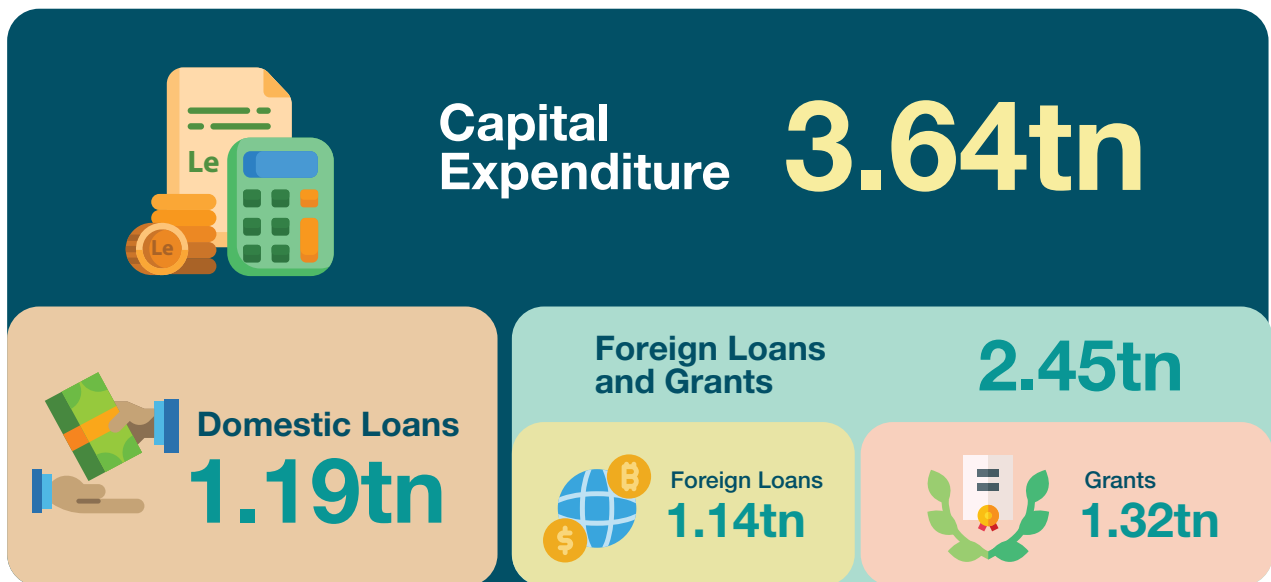


After wages and salaries, capital expenditures will receive the second-largest share of the overall budget of

30.8%

The government uses these funds to build roads, hospitals, schools, and other infrastructure, in addition to buying fixed assets like real estate and making investments that will yield returns in the future and improve the standard of living for Sierra Leoneans.

Unit = Le



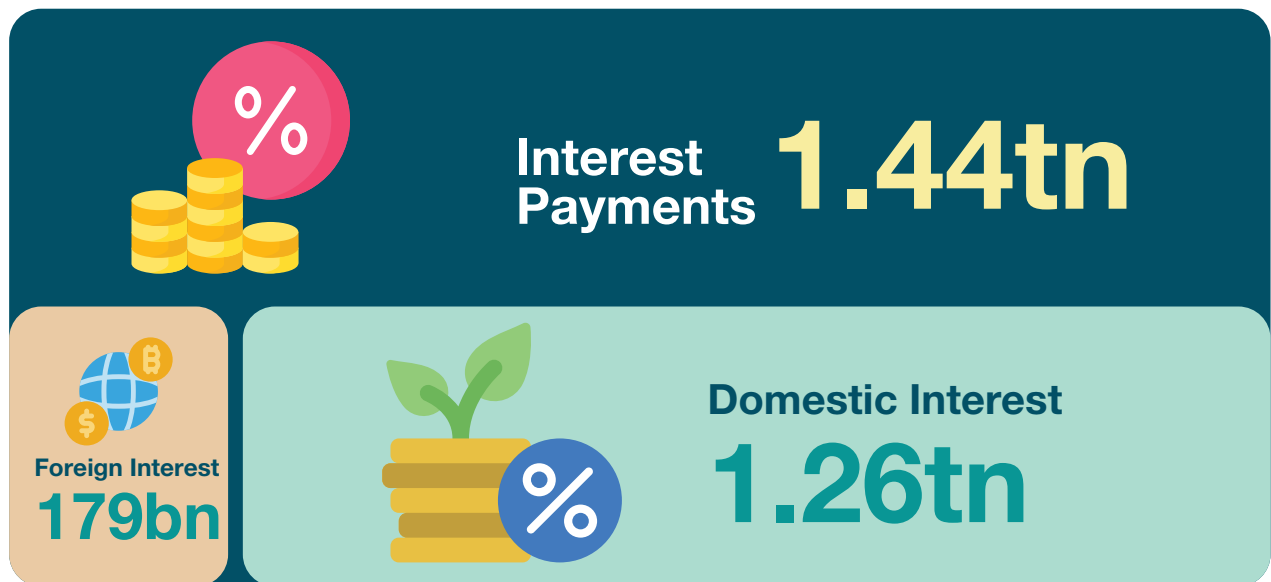
Debt Service (Interest Payments)



The interest expense and principal of existing debt will be repaid for a specific period with

12.2%
of the total expenditure

Unit = Le



Budget Financing (Budget Deficit)



When the government spends more than it collects in revenue, there is a budget deficit, and the government must find additional funding to cover the gap.

Le1.89tn

is the total deficit for 2022,

which will be borrowed from internal and external entities

Unit = Le



External Budgetary Support

1.59tn



World Bank
783bn

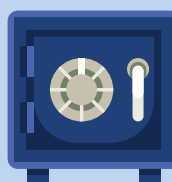


IMF SDR
On-Lending
and RCF

642bn



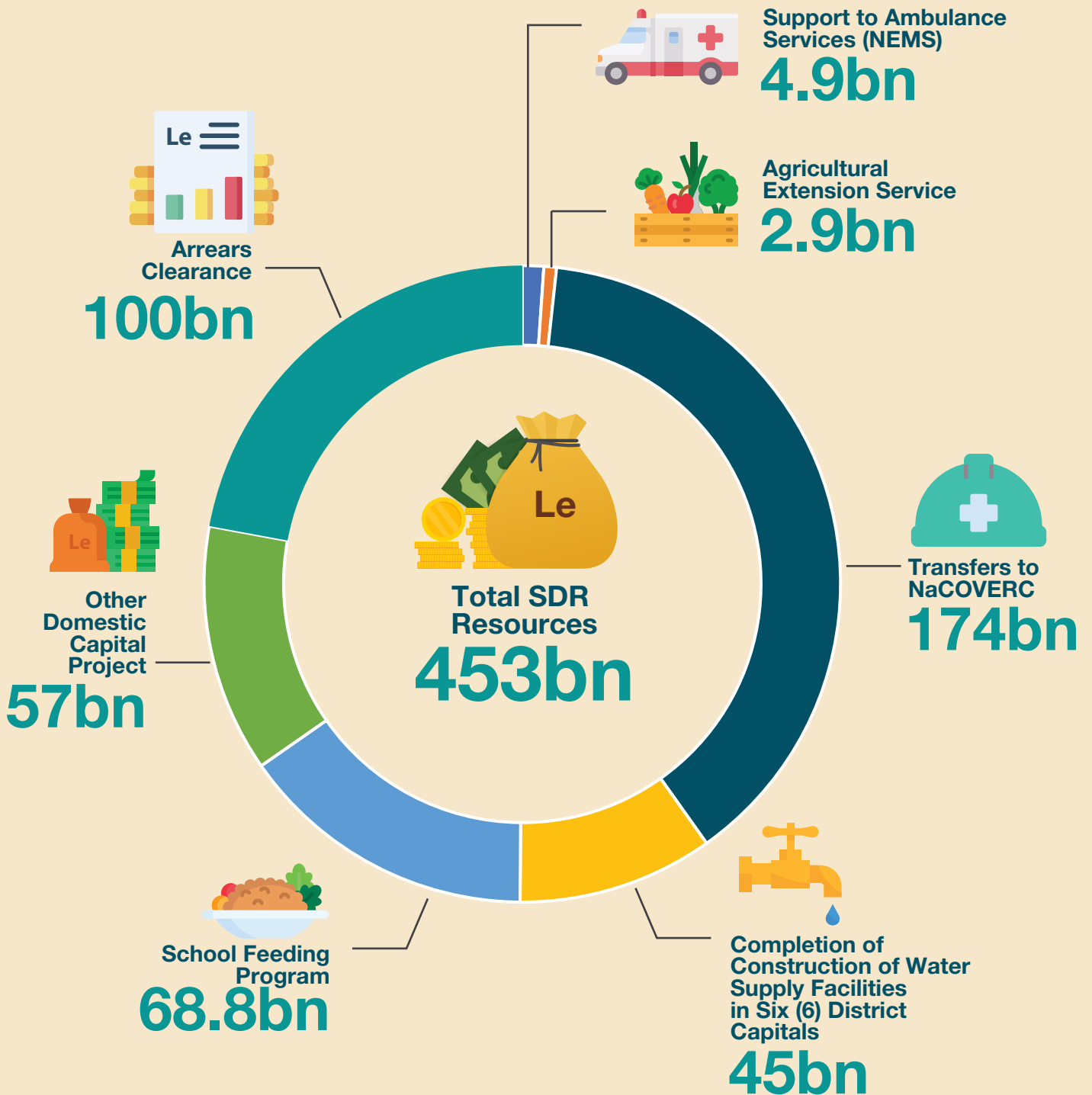
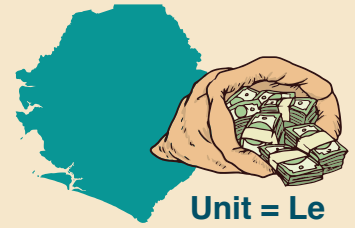
G20 Debt Relief
-34bn



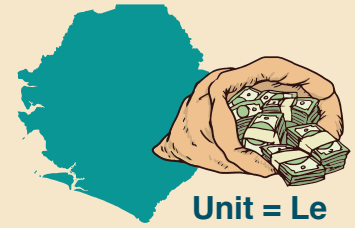
Catastrophe
Containment
and Relief (CCRT)

201bn

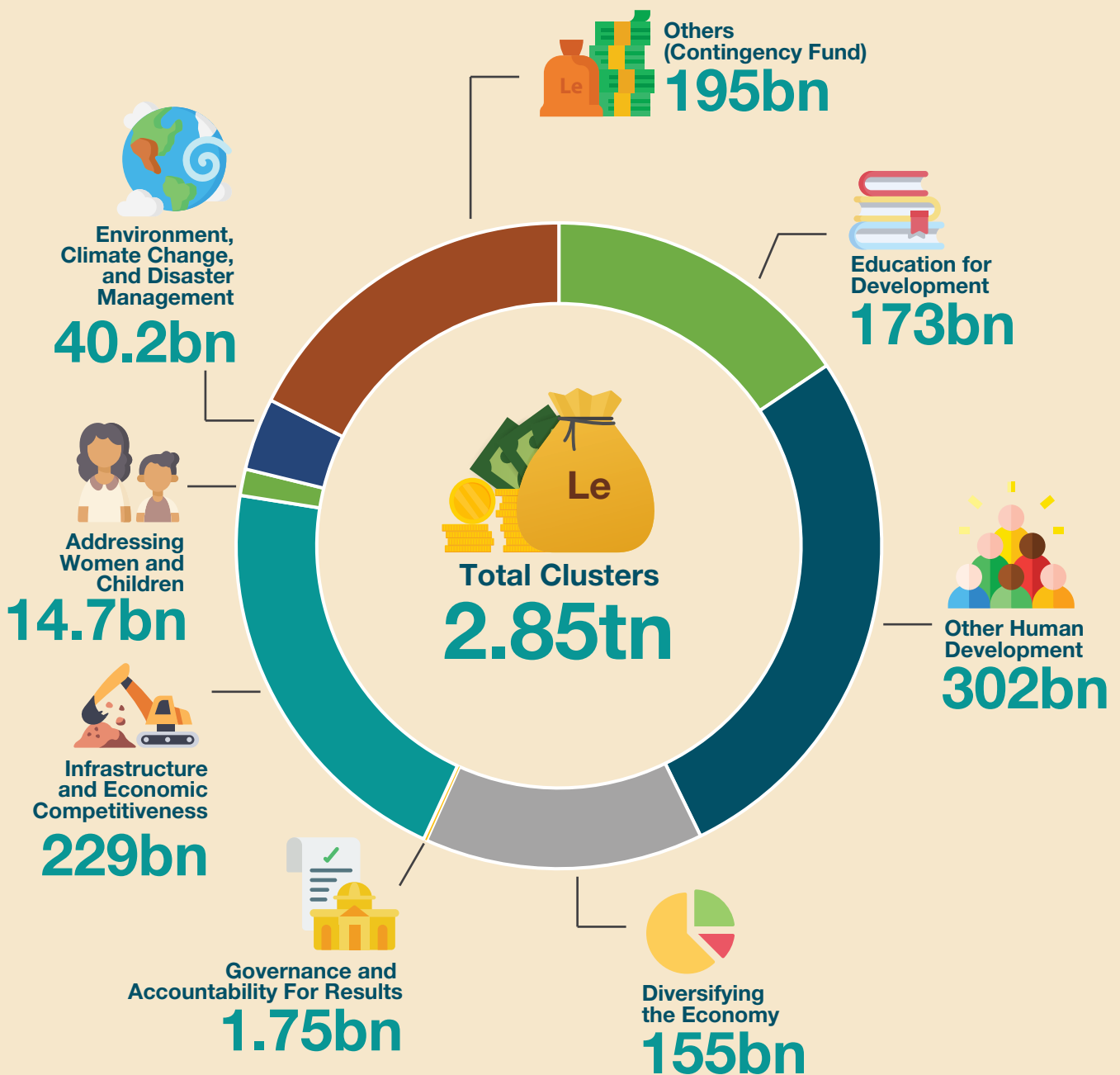
Proposed Utilization of IMF SDR Financing



National Development Plan Cluster Allocation



The MTNDP (Medium-Term National Development Plan) goals are categorized into eight clusters and 48 sub-clusters: each cluster's objective is to address and improve the areas of concern indicated below:





Top Government Spending Priority

The discretionary budget of the government is Le 7.95 trillion, with the majority of this money going to the education sector.

Education Sector	Le 1.70tn
Health Sector	Le 897bn
Agriculture Sector	Le 278bn



Selected Capital Projects (Public Investment Programmes)



MDAs Projects

Budgeted Amount

Ministry of Energy (MoE)

Energy Sector Utility Reform Project (ESURP)	Le27.96bn
West African Power Pool Project (WAPP)	Le38.96bn
Rural Electrification Project - CLSG (Serving	Le39.42bn
Rehabilitation and Extension of Bo-Kenema Distribution	Le61.24bn
Supply and Installation of 225KV Double Circuit Bumbuna11 to Waterloo	Le82.96bn
Electrification of 7 (Seven) District Towns	Le31.56bn
Installation of Solar Street Lights	Le62.80bn



Selected Capital Projects (Public Investment Programmes)



MDAs Projects	Budgeted Amount
Ministry of Health and Sanitation	
Strengthening COVID-19 Response	Le78.96bn
Sierra Leone COVID-19 Emergency Preparedness and response project	Le30.43bn
Primary Health Care Support Project	Le23.27bn
GAVI Health System Strengthening Support Project	Le27.961bn
Ministry of Education	
Rehabilitation/Refurbishment of Schools	Le2.77bn
Construction of University of Science and Technology in Kono	Le102.03bn
Construction of Administrative, Teaching and residential for IPAM.	Le64.81bn
Construction of School of Excellence in ICT in Bonthe	Le75.85bn
Free Quality School Education Programme	Le344.83bn
Breakdown of Free Quality School Education Programme budget	
School Fee Subsidies	Le230.54bn
School Feeding Programme	Le68.80bn
Examination Fees for WASSCE	Le18.46bn
Diet for Boarding Home Schools	Le12.92bn



Selected Capital Projects (Public Investment Programmes)



MDAs Projects	Budgeted Amount
Sierra Leone Water Company (SALWACO)	
Three (3) Towns - Bo, Kenema, and Makeni Water supply system project	Le7.36bn
Rural Water Supply and Sanitation Project	Le19.96bn
Construction of 100 Solar Powered Boreholes	Le20.46bn
Four (4) Towns Water Supply Project (Mongor, Mano/Njala/Daru)	Le73.34bn
Construction of 45 Industrial Boreholes (Urban Wash Supply)	Le3.80bn Le45.00bn
Sierra Leone Roads Authority (SLRA)	
Reconstruction of Pendembu - Kailahun Road	Le2.77bn
Reconstruction of Bandajuma - MRU Bridge	Le32.77bn
Reconstruction of Moyamba - Moyamba Junction and the 3 Bridges in Magbele, Mabang and Port Loko Kpangbama	Le8.42bn
Construction of Hill Side By-Pass Road Phase II in Western Area	Le7.84bn
Reconstruction of Tokeh-Lumely (Peninsular) Road	Le102.84bn
Completion of Bo - Tikonko Road, South	Le9.23bn
Spots Improvement and Regravelling of Trunk Roads, Nationwide	Le12.92bn
Completion of Township Roads, Nationwide	Le240.12bn
Rehabilitation and Reconstruction of Critical bridges in Western Area, Freetown.	Le20.00bn



Selected Capital Projects (Public Investment Programmes)



MDAs Projects

Budgeted Amount

Ministry of Agriculture and Food Security

Palm Oil Production Project in Sierra Leone in the Framework of Capacity Building (POPSLCB)	Le16.79bn
Rural Finance and Community Improvement Project Phase 11, Nationwide	Le15.32bn
Sierra Leone Agribusiness and Rice Value Ongoing	Le17.75bn
Regional Rice Value Chain Development	Le86.55
Livestock Development Project in Koinadugu	Le10.98bn
Onion Production Project, Ntaionwide	Le2.77bn
Tree Crops Development Project, Nationwide	Le9.02bn
Input System: E-Vouchers for Rice Production (Seeds, Fertilizers and Tractor Services)	Le50.76bn





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