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Washington D.C.  
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FIRST PRODUCTIVITY AND TRANSPARENCY SUPPORT CREDIT (PTSC-I)  
LETTER OF DEVELOPMENT POLICY

1. I am writing on behalf of the Government of Sierra Leone to request the approval of the First Productivity and Transparency Support Credit (PTSC-I) in the sum of US$30 million to support the financing of Government's development program articulated in the Agenda for Prosperity and the President's Recovery Priorities. In particular, this credit aims to support the Government's efforts to achieve sustainable and inclusive economic development through: (i) increasing productivity in selected economic sectors; and (ii) improving transparency and accountability in selected government decision making processes.

2. This letter of development policy summarizes the recent economic development in 2014-2016, presents the medium term macroeconomic outlook in 2017-2020, and describes the reform the Government is undertaking to support the medium term outlook and how the proposed credit contribute to reaching them.

I. RECENT ECONOMIC DEVELOPMENTS 2014 – 2016

3. Sierra Leone’s economy is recovering following the twin shocks of the Ebola and collapse of iron ore prices in 2014 and 2015. The early recovery was assisted by the implementation of the Post-Ebola Recovery Strategy, the first phase (6-9 months) of which was completed in April 2016. The second phase or the Presidential Recovery Priorities aims to consolidate the early gains and bring the country back on track for the Agenda for Prosperity. It focused on seven sectors –health, education, water, energy, social protection, governance and private sector development, which includes agriculture and fisheries– and will be completed in June 2017.

4. Following robust economic growth in 2013 of 20.7 percent, growth slowed down to 4.6 percent 2014 and contracted by 20.5 percent in 2015 on account of negative impact of the Ebola on key sectors and the price shock of the main export commodity, iron ore. As a result of a combination of increased support from our development
partners and the implementation of sound economic policies, the economy is on a positive growth trajectory once again.

5. Economic growth is estimated at 6.1 percent in 2016 as iron ore production and export resume at the Tonkolili Mines, although the Timis Mining Company remains closed. Excluding iron ore, the economy is estimated to grow by 4.1 percent driven mainly by recovery in agriculture, manufacturing, construction and services including transport, tourism and trade. Efforts continue to diversify the economy and reduce reliance on the mining sector as the key driver of growth with increased support to other sectors including agriculture, fisheries and tourism sectors.

6. Inflationary pressures receded considerably starting from 2013, with the year on year rate falling to a low of 6.4 percent in April, 2014. However, with the outbreak of the Ebola and the disruption of supply of basic commodities, inflationary pressures started to build up reaching 7.9 percent in December 2014 and 8.9 percent in December 2015. Although inflation was contained in single digit during this period largely due to a combination of pro-active monetary policy, stable exchange rates, and stable world food prices, inflation jumped to double digits in the second half of 2016, on the account of the steep depreciation of the Leone against major international currencies. The national monthly average inflation rose to 17.4 percent in December 2016.

7. Reflecting the impact of the Ebola and the closure of the iron ore sector, domestic revenues declined from 12.6 percent of GDP in 2013 to 10.8 percent in 2015. Domestic revenues started to recover to an estimated 12.2 percent of GDP in 2016. In order to enhance revenue mobilization, Government implemented key measures in 2016 including: i) the introduction of an excise duty on alcohol content of imported beverages; ii) a new excise regime and higher import duty rates on cigarettes; and iii) a 15 percent Goods and Services (GST) Tax on electricity tariff. In November 2016, the Government also removed subsidy on petroleum products and at the same time restored excise and import duty and Road User Charges on these products. The objective was to eliminate the subsidy that was not affordable in the budget and also increase revenue mobilization.

8. Government expenditure increased to 19.5 percent of GDP in 2015 from 17.5 percent in 2013 largely reflecting the increased spending on Ebola related activities and investments in capital projects. Government expenditures are estimated at 23.4 percent of GDP in 2016 mainly due to scaling up of both recurrent and capital spending. During the last quarter of 2016, Government announced a number of austerity measures intended to be applied through the first quarter of 2017 including no new procurement of government vehicles, furniture and fittings; a 50 percent cut in monthly office supplies; official travel restrictions; and elimination of overtime payments.

9. The fiscal deficit is estimated to have increased from 4.6 percent in 2015 to 8.3 percent in 2016. The budget was under severe pressure, leading to expenditure overruns in goods and services, as well as domestic capital expenditures, late in the year. While government was able to raise some financing from the domestic market to finance the deficit, an estimated Le 460 billion in arrears were unfortunately accumulated to domestic contractors and suppliers.

10. Exports deteriorated sharply during the period falling by 55.4 percent in 2015 from an increase of 47.4 percent during 2013 on account of the collapse of the iron ore sector.
Exports recovered by an estimated 15.2 percent in 2016 driven by minerals, agricultural commodities and timber. During the same period, imports continued to decline by 18.1 percent in 2015 following an earlier decline of 19.9 percent in 2013 due to lower international petroleum prices and reduction in Ebola related imports. Imports are estimated to recover moderately by 2.3 percent in 2016 driven by the resumption of iron ore mining and related need for machinery and fuel products.

11. The current account deficit including official grants, improved from 20.5 percent in 2013 to 17.5 percent in 2015. The current account deficit is estimated to have deteriorated 19.9 percent of GDP in 2016. Services and transfers are estimated to have reduced modestly. Re-newed iron-ore exports contributed to a strengthening of the trade balance, but it was not enough to compensate for the decline in donor support as the fight against Ebola wound down.

12. Gross foreign reserves increased from US$514 million (2.1 months of imports) in 2013 to US$580 million (3.8 months of import) in 2015. Gross foreign reserves are estimated to decline to US$ 548 million (3.3 months of imports) in 2016. If imports related to iron ore mining are excluded, the gross foreign reserves cover 4.8 months on imports by end 2016.

13. The Leone, which was stable during 2013-2015 due in part to increased donor inflows, depreciated sharply in 2016 reflecting the reduced exports earnings and reduction in Ebola-related inflows combined with the increased demand for foreign exchange on the market.

II. MEDIUM-TERM MACROECONOMIC OUTLOOK

14. The macroeconomic outlook in the medium term is expected to improve although challenges remain. Overall economic growth is projected at 6.0 percent 2017, 6.1 percent in 2018 and above 6.8 percent in 2019 and 2020. The non-iron ore economy is projected to continue its strong recovery from Ebola, estimated at 4.0 percent in 2017, 5.1 percent in 2018 and above 6.0 percent in 2019 and 2020. Commercial agriculture is expected to be a key driver of growth supported by infrastructure investments, in particular in energy to promote growth in manufacturing and services, the main area of diversification.

15. Inflationary pressures are expected to moderate in the medium term as the exchange rate stabilizes combined with prudent fiscal and monetary policies. However, the challenges will remain high in 2017 as the prices continue to adjust to the removal of the fuel subsidy. Inflation is projected to increase to an average of 15.8 percent in 2017 before returning to single digit of 9.4 percent by in 2018 and 8.3 percent in 2019. Monetary policy was tightened to respond to growing inflation pressures. The BSL increased the Monetary Policy Rate (MPR) by 100 basis points in September to 10.5 percent and by an additional 50 basis points in December to 11 percent.

16. The objective of fiscal policy in the medium term will be to limit net domestic financing of the budget at no more than 2.8 percent of GDP in 2017-2019 and revert to 2 percent from 2019 onwards as well as maintain a moderate risk of external debt distress. Although these anchors have delivered generally sound macroeconomic outcomes and remain appropriate to current circumstances, the limited domestic financing together with the external debt anchor are binding constraints on our objective of ramping up infrastructure spending and expanding the social safety net.
Therefore, there is need for strong domestic revenue mobilization to create fiscal space for scaling up priority spending.

17. Consistent with this objective, the 2017 and the Medium-Term Fiscal Framework envisage a gradual fiscal adjustment. Gradual fiscal adjustment will be achieved through a combination of (i) slower growth of current spending; and (ii) a further mobilization of revenues, through both broadening the tax base and improving revenue administration. To strengthen our revenue mobilization efforts, the government will adopt a Revenue Mobilization Strategy. Our efforts to develop this strategy will be informed by a background paper on revenue mobilization options, which will be prepared jointly by representatives of Ministry of Finance and Economic Development (MoFED), National Revenue Authority (NRA), Bank of Sierra Leone (BSL), the IMF's Africa (AFR) and Fiscal Affairs (FAD) departments, and AFRITAC West. To achieve better synergy in the budgetary preparation process, we will henceforth submit the Appropriation and Finance Bills to Parliament at the same time, and seek their simultaneous passage. This will reduce the risk of mismatch between planned expenditure and approved financing measures.

18. Fiscal stance: fiscal target under the program for 2017 is an overall deficit including grants of 6.1 percent of GDP. The revised budget keeps the growth of most recurrent spending categories in line with inflation, while allowing for increased capital expenditure. Consistent with our commitments, we intend to adopt additional revenue raising measures that would allow us to reduce gradually the overall fiscal deficit to 4.8 percent by 2020, while at the same time preserving adequate space for priority social and infrastructure spending.

19. Revenue mobilization: We recognize that our rate of revenue mobilization is insufficient to finance effective service delivery, provide critical infrastructure and expand social protection, given the limited available domestic and external financing. In late 2016 and in the context of the 2017 budget, we took several steps to broaden the tax base and improve revenue administration, including a 60 percent increase in the pump price of retail petroleum products. At that time, our plan was to completely eliminate the remaining subsidy in the pump price of retail petroleum products no later than July 1, and allow the price to be market determined. However, it is becoming increasingly clear that we will not be able to meet this commitment because despite our best efforts, the reach of our social safety net programs remains limited. We are now committed to making faster progress on the safety net programs, especially public transportation. We are also renewing our commitment to implement the fuel subsidy reform, floating the retail fuel prices with a fixed excise collection, no later than by the completion of the second ECF review.

20. The non-implementation of retail fuel price liberalization has cost us some potential revenue in 2017. Considering our continuous spending pressures, and to offset the revenue loss, we have recently adopted the following policies and revenue enhancing measures, aimed at increasing domestic revenue in 2017 by approximately 0.5 percent of GDP: i) Elimination of all duty and tax waivers, except those covered by the Vienna convention, international bilateral agreements, donor-funded projects, and contracts or MOUs approved by Parliament. Existing contracts and MOUs will not be renewed when they expire, and no new request for exemptions will be entertained; ii) Application of mineral royalty taxes to market prices rather than company prices
implied by export receipts; iii) Introduction of excise duty of 20 percent on luxury vehicles, defined as vehicles with CIF values in excess of US$25,000.

21. Furthermore, in addition to collecting a one-time dividend from profitable SOEs in 2017 of at least 0.1 percent of GDP, going forward, we will collect at least 10 percent of their gross profits as annual dividends to the budget.

22. Finally, we will pursue several policies to improve the efficiency of tax collection and reduce the scope for leakages. We have submitted to Parliament the new Tax Administration Bill, and will seek swift Parliamentary adoption. We are also working with FAD staff to identify measures to address problems flagged in our recent Tax Administration Diagnostic Assessment Tool (TADAT) exercise. In this regard, we will aim to implement the following measures: i) Improve the capacity of NRA to understand and address transfer pricing issues, especially in the extractive and telecommunications sectors; ii) Expand the taxpayer base through systematic use of third party information to detect unregistered taxpayers. A key aspect of this exercise is to implement the Block Management System (BMS) recommended by the recent FAD mission. A full report and planned follow-through actions will be prepared by end-December for sustainable compliance and measuring success; iii) Undertake a compliance project, using intelligence garnered through data-matching; iv) Undertake a compliance/audit project of employers’ classification of employees, which has become prone to wide-spread abuse through the mis-classification of employees as contractors, thereby shifting the burden of the final tax. This exercise will be completed by end-September; v) Pass the Extractive Industry Revenues Bill (EIRB), to consolidate all mining tax and non-tax obligations under common terms. This Bill will be submitted to Parliament by end September 2017.

23. Expenditure Management: Our goal is to contain recurrent expenditures, while reorienting spending towards infrastructure and social protection. In 2017, we will rationalize expenditure in key areas, while increasing expenditure on social safety net programs. In the medium term, we will contain the wage bill and moderate the growth of expenditures on goods and services. To this end, we plan to i) Reduce expenditure on civic registration in the 2017 budget by Le 125 billion due to donor support covering specific areas, and reduce subsidies and transfers by Le 38 billion; ii) Increase expenditures on our social safety net program. In particular, the World Bank is currently aiding us in implementing a cash transfer scheme. The current program allocates US$5 million per year to the most vulnerable in society mostly in the rural areas. We are committed to adding to this program an additional $5 million per year from the budget, starting this year, to expand the social safety net program in the rural areas as well as provide additional public transportation in the urban areas, especially in Freetown; iii) Produce a comprehensive Wage Reform Strategy that will be approved by Cabinet by end-2017; iv) Institutionalize the Expenditure and Contracts Management Committee (ECMC) with a broader membership including the Law Officer’s Department and the NPPA, and ensure checklist of conditions to be fulfilled is developed and enforced before the approval is granted for award of contract. The committee will be operational by end-June; v) Ensure that the Integrated Financial Management Information System (IFMIS) is fully rolled out and utilized by all MDAs, and that all modules of the IFMIS are fully functional, allowing for the most up to date information for cash and public finance management; We will continue to rely on World Bank support for technology procurement to realize this; vi) Adopt a
Public Investment Plan by the time of the first review of this program. The plan will identify the key projects we hope to implement during the course of the program, consistent with maintaining a moderate risk of debt distress. Moreover, Government is committed to clearing the arrears accumulated in 2016 during the current year.

24. Given preparations for the 2018 General Elections and the fact that Parliament will prorogue by end November, 2017, efforts are being made to submit the 2018 budget to Parliament by end September 2017, a month before the legal due date. The aim is to give Parliament enough time to approve the budget. Hence, all revisions to 2017 budget will be submitted together with the 2018 budget to Parliament for ratification.

25. The current account deficit is expected to improve to an average of 18.6 percent of GDP during in the medium-term (2017-2019). The steady improvement is underlined by sustained growth in exports. Although current transfers are projected to decrease in the medium term due to a reduction in off-budget grants. The capital account is expected to improve gradually with higher FDI, growing over the course of the projection period.

26. Gross foreign exchange reserves are expected to average 3.3 months of imports in the medium-term. The depreciation of the exchange rate is expected to moderate in the medium term as exports increase supported by prudent fiscal and monetary policies.

III. POLICY REFORMS IN 2017-2020

27. Mr. President, achieving the medium term outlook requires effective implementation of carefully designed policy reforms. The implementation of the Poverty Reduction Strategy suffered a severe setback through the Ebola epidemic and the collapse of iron ore prices, but our country has shown its resilience and has continued to achieve progress by implementing the Post-Ebola Recovery Strategy and the President’s Recovery Priorities.

28. The first phase (6-9 months) of the Post-Ebola recovery focused on four key sectors (health, education, social protection and private sector) that provided immediate and direct relief to Sierra Leoneans and maintained a zero rate of Ebola infections. This first phase was completed in April 2016. The second phase consisting of the President’s Recovery Priorities, which aims to put the country on track for a transition back to the Agenda for Prosperity (AfP) by mid-2017 and focused on seven key sectors: health, social protection, education, water, energy, governance and private sector development, which includes agriculture and fisheries. This transition was necessary to allow a gradual shift from the short actions which focusing on providing direct relief to the medium term interventions which will align incentives for inclusive growth and poverty reduction.

29. The twin shocks have uncovered the weaknesses of our economic system and have made urgent the need to diversify the economy to reduce the high dependency on the mining sector. By focusing on agriculture, fisheries, energy, and education, the Government aims to make the assets of the poor (land and labor) more productive for a sustainable increase in income. In the process, the Government will make sure that the decision making processes are transparent and accountability mechanisms are enforced.
30. The policy direction the Government is taking on agriculture, fisheries, energy, education, and governance is presented below.

**Increasing productivity in selected sectors**

31. **Agriculture and lands** – The Government has implemented numerous interventions aiming at increasing agricultural productivity and output through a range of projects. For example, 979 hectares of inland valley swamps (IVS) were cultivated and planted with 2,448 bushels of NERICA seed rice, a higher yielding seed variety. Targeting 50,000 farming families, around 50,000 bushels were distributed in total, together with 35,761 bags of fertilizer. Under Institutional Feeding, the Government also obtained commitments from processors and producers to supply 10 percent of the rice needed for the Sierra Leonean military, police and fire forces. To deepen market access and support commercial development, 922.5 km of feeder roads are currently being rehabilitated and an additional 52 Agricultural Business Centres are being transformed into viable processing and marketing entities, amongst other projects. Also, we have undertaken a number of initiatives to improve farm families' access to finance and farming skills.

32. Despite these numerous interventions to increase crop production and productivity, crop yields continue to fluctuate, undermining government’s effort towards achieving food security in the country. Access and use of high quality agriculture inputs (seeds, fertilizers, etc.) has remained extremely low (4 percent for chemical fertilizers, 9.5 percent for organic fertilizer, and 10.4 percent for improved seed varieties). A key constraint to access to productivity-improving inputs is the lack of regulatory framework for private sector participation. Marketing of seeds and fertilizers has not been regulated. Given the current socioeconomic status of farmers in Sierra Leone, the need for a policy environment to ensure adequate and timely availability of improved seeds and fertilizers at affordable prices is crucial. To this end, the Government has developed the National Fertilizer Policy to support the implementation of a private-sector led and competitive fertilizer sub-sector in Sierra Leone. A fertilizer regulation consistent with the ECOWAS regulation, will be developed and submitted to Parliament before June 2018. The regulation will detail the mechanism and process through which the policy will be implemented. The Government has submitted a new seed bill to the Parliament to promote private sector participation in the multiplication and marketing of seeds. The seed regulation will also be submitted to the Parliament before June 2018. This new policy direction aims at increasing yield per hectare for rice from 1.5 tonnes currently to 2.5 tonnes by 2020, through creating an environment for private sector participation. It incorporates gender and environmental concerns as well as foster linkages with stakeholders in the sub-sector.

33. Food policy will remain of paramount concern to our economic development efforts for the next decade and rice will place a significant role on its success or failure. Rice is our most cultivated and consumed staple food and has retained the Government attention for several years. In addition to the efforts to facilitate access to improved inputs, the Government is committed to adjust its trade policy regarding rice to provide the needed incentives for private investment in the value chain. The transformation of the rice produced by farmers into a competitive staple food purchased and eaten by consumers in Sierra Leone is a great challenge. The costs of storage, transportation, and processing are an integral component of food price formation. Prices provide producers and consumers with signals about how to allocate
their inputs and household budgets. Therefore, how the price of rice is set and what impact it has on both producers and consumers is an important analytical question. In light of the above, the Government is committed to the full implementation of the Finance Bill 2017, which contains provision for the implementation of the ECOWAS Common External Tariff (CET).

34. The Government has since 2009 driven a consultative process to develop a comprehensive National Land Policy (NLP), which received Cabinet approval on November 11, 2015. The NLP vision is to move towards a clearer, more efficient and just land tenure system that shall provide for social and public demands, stimulate responsible investment and form a basis for the nation’s continued development. The principles of gender equality, protection of legitimate tenure rights (with a specific focus on customary rights and women’s rights) and of fostering sustainable use of natural resources guided the development of the policy.

35. A National Land Policy Implementation Plan (NLPIP) has been designed to address the institutional, legal and technical capacity requirements of the relevant national government departments, provincial and local government, and where necessary, to provide the private sector and general public with a sound understanding of the NLP and their respective roles and responsibilities. The plan addresses the diverse needs of a broad spectrum of audiences, by providing both formal capacity building programs, as well as informal education, awareness and communication strategies and programs.

36. A Multi-Stakeholder Platform and VGGT (Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security) Institutional Framework — including an Inter-Ministerial Task Force, a Steering Committee, a Technical Working Group and a VGGT-Secretariat in the country to support and facilitate tenure governance reforms in the land, fisheries and forestry sectors. The VGGT multi-stakeholder institutional framework will provide an inclusive and participatory framework for facilitating implementation of the NLP reform process. The Land Policy was re-submitted together with implementation framework and implementation plan to Cabinet on May 17, 2017.

37. Fisheries — Fish production provides a major source of protein for a significant portion of the population; and it is estimated to employ around half a million Sierra Leoneans, mostly women especially in fish processing, marketing, etc). With support from the West Africa Regional Fisheries Program (WARFP), the Government improved fisheries management by defining and enforcing a 6 mile Inshore Exclusion Zone (IEZ) and applied satellite monitoring. This resulted in the reduction in the industrial fishing vessel with the consequent increase in fish landed for the domestic market in 2014.

38. Despite these efforts, the fisheries sector is challenged by the over-exploitation of the fisheries resources, which threatens the sustainability of the sector. For artisanal fisheries sector, it is still managed under open access scheme. The increase in the number of fishing trawlers is attributed to the low license fees. This will cause a significant degradation and depletion of the fishery resources, which will jeopardize the economic gain of the sector in the long term. Therefore, Government has increased licensed fees by 30 percent and is committed to increase them further through the harmonization of fees with other West African countries. The objective is to improve the livelihood of the fishing population and make the sector sustainable over the long run. A related challenge facing the sector is the illegal, unreported and
unregulated (IUU) fishing practices mostly by foreign trawlers through poaching into our Inshore Exclusive Zone (IEZ) and IUU fishing among the artisanal fishery sector. This is due to inadequate monitoring, control and surveillance capacity and lack of funding to support the Joint Maritime Committee (JMC)’s function. Additionally, the infractions when notified are not always prosecuted according to the law. This threatens the sustainability of the sector and reduces the supply of fish in the local market.

39. The objective of the Government going forward is to increase the supply of fish in the local market and generate employment and income for the local communities while maintaining the sustainability of the sector. In order to reach this objective, the Government is committed to reduce the number of fishing license granted to foreign industrial vessel to 30, the number considered sustainable by the Marine Resources Assessment Group (MRAG) by 2030. The government is also committed to improve the transparency, monitoring, control and surveillance of fisheries activities of the sector and has published the list of all industrial vessels with active licenses and ensured that all licensed vessels have Vessel Monitoring Systems (VMS) and independent observers on board. A fisheries bill is under preparation and will be approved by Cabinet and submitted to Parliament before June 2018.

40. Energy. The unreliable supply of electricity remains a binding constraint to economic growth in Sierra Leone. It is estimated that less than 15% of the population is connected to the electricity grid. Electricity supply has increased in recent years from about 7MW in 2007 to the current installed capacity of 100MW. This includes 50 MW of hydro power from Bumbuna Hydro Dam and a number of thermal plans installed in Freetown, Bo, Makeni, Kono, Lungi and Lunsar. Despite these efforts, the expansion in economic activities prior to Ebola and iron ore crisis increased the demand for electricity, which currently outstrips the supply.

41. The sectors suffer from significant technical and commercial losses, which undermine the operational and financial sustainability of the sector due to under-investments in the sector over the years and high prevalence of fraud. As part of reforms to address these challenges, Government adopted the Electricity Act, 2011, which paved the way for the unbundling of the National Power Authority (NPA) into the Electricity Generation and Transmission Company (EGTC) and the Electricity Distribution and Supply Authority (EDSA). EDSA is currently not financially viable due to line losses estimated at 38 percent and low rate of revenue collection estimated at 74 percent of revenue due to be collected. The Government objective is to reduce the losses to 22 percent by 2020 and increase the share of revenue collected from electricity sales in the total electricity bought by EDSA.

42. The Government will focus on improving the financial viability of EDSA through measures to reduce technical and commercial losses. To this end, the Board of EDSA has approved a strategic plan that will include measures to improve the financial situation of the utility as well as reduce technical and commercial losses. Going forward, the EDSA Board will approve a network Configuration Plan, complete installation of control metering points at source and manage system losses. The Government is aware that increasing generation capacity without investment in the network and adequate increase in demand could increase the technical losses and further affects the financial viability of EDSA or increase the subsidy requirement. The Government is committed to assess the impact on the Government’s fiscal and EDSA’s financial situation prior to signing any new power purchasing agreement.
43. Electricity theft and illegal connections from top-end customers cause financial loss to EDSA. To detect these illegal connections or identify gaps in the reporting system, EDSA has decided to update its systems and processes that enable remote monitoring of consumption for the large clients. To reinforce this mechanism and effectively tackle the rate and spate of electricity theft in the country, the Government has launched an Electricity Offence Committee. The committee comprises officials from the Ministry of Energy, Ministry of Internal Affairs, Ministry of Justice, Office of National Security (ONS), Electricity Contractors Association, EDSA, Director of Public Prosecution, among others. The Committee will be in charge of pursuing the offenders.

44. Education - The government increased significantly access to education but the learning outcomes remain among the lowest in the region due to the poor quality, performance, and management of the teaching workforce. The Government recognizes that teacher management should be improved. Teachers absenteeism is high and their location in the schools difficult thereby undermining the integrity of the payroll. To address the numerous issues concerning teachers, including registration and licensing; management (i.e. recruitment, transfer, dismissal, promotion, and retirement), records and payroll; professional development and performance; and teacher-employer relations, a Teaching Service Commission (TSC) was created in 2011. However, the TSC was made operational only recently with the appointment of its chair, the nomination of the 16 commissioners; and the holding of inaugural meeting in August 2016. The staff recruitment and the development of the policy guidelines and district operations manual is ongoing.

45. The Government is committed to make the TSC fully functional and will transfer the asset, functions and functionaries from the Ministry of Education to the TSC in a phased basis. MEST and TSC have agreed on a transition plan for the transfer of functions to the TSC. MEST has forwarded a letter to MOFED as evidence of this agreement. This decision is expected among others, to reduce teacher absenteeism in schools.

46. Increasing Transparency and accountability in selected Government decision making processes

47. Improving transparency remains an important component of the Government’s reform agenda. Such improvements will help to ensure that increased resources generated from the agriculture, land, fisheries and energy productivity accrue to the general public and improve overall government delivery and public perceptions. Improving oversight of the decision making and spending processes of government, and ensuring that anti-corruption efforts are strengthened and public procurement processes are enhanced will be key components of this effort.

48. Public Procurement. Government recognises that improving public procurement is critical to ensuring value for money in the delivery of public services. A revised Public Procurement Act, 2016 has been enacted to replace the Public Procurement Act, 2004. A cadre of Procurement Officers has also been established and Procurement Officers deployed in MDAs. A Public Procurement Directorate has also been established in the Ministry of Finance and Economic Development to oversee the activities of Procurement Officers in MDAs.
49. However, there have been challenges in ensuring value for money as only a small proportion of public procurement transactions are conducted through open competition. The Auditor-General’s Report also contained several concerns on public procurement.

50. Against this background, Government is committed to improving the transparency and accountability of public procurement to ensure value for money. To this end, Government has adopted a decision to implement e-procurement to improve transparency and accountability in public procurement transactions and ensure value for money. This will facilitate efficient integration of supply chains, better organisation and tracking of transactions records and data gathering. It also promotes faster delivery of goods and services. Going forward, the Government will hire an eProcurement consultant to provide technical guidance to the entire eProcurement process by the end of 2017. Government will also publish on an official Government website, an audit report of selected procurement transaction in 2016.

51. **Asset Disclosure.** As a demonstration of its commitment to fight corruption, Government adopted the National Anti-Corruption Strategy (NACS) covering the period 2014-2018. The general goal of the NACS is to contribute to consistent reduction of corruption, strengthen the integrity system and build public trust in government institutions and promote zero tolerance on corruption. The NACS is being successfully implemented through a continued sector wide approach in the coordination of the implementation by Ministries Departments and Agencies (MDAs).

52. Key instruments such as integrity pacts and integrity pledges to enhance transparency and eliminate the opportunity for bribery was instituted. Public accountability, integrity management committees have been established in MDAs to enable them to take ownership of the fight against corruption in their respective institutions by addressing at first hand issues of corruption and maladministration.

53. In response to the ever growing concerns about bribery, the Government of Sierra Leone through the ACC is collaborating with the Government of Great Britain through the Department for International Development (DFID) agreed for the implementation of a 3 year “Pay no Bribe” (PNB) project. The PNB is an innovative reporting mechanism for citizens to anonymously reports incidents of bribery and petty corruption in key service sectors.

54. Sierra Leone improved its ranking in the Transparency International Corruption Perception Index to 119th out of 167 countries in 2015 from 134th out of 178 countries surveyed in 2010. The number of corruption cases increased to 93 in 2015 from 37 in 2014. Revenue recovered from stolen assets amounted to Le 63,967,000 in 2015.

55. Despite these achievements the perception of corruption in Sierra Leone is still very high partly due to the weak implementation of the Asset Declaration. Government will therefore strengthen the effectiveness of the asset disclosure system as a tool for ensuring accountability and integrity of officials within the overall governance structure. As a first step, the Anti-Corruption Commission issued a public notice in October 2016 urging public officials to comply with section 119 of the ACC Act of 2008, relating to the filing of Assets Declaration by October 31, 2016. This resulted in improved compliance rate from 35 percent in 2015 to 63 percent in 2016. For public officials with the rank of Director or above, compliance rate was 70 percent while it was 90 percent among Cabinet Ministers and their Deputies. The ACC is considering
to refocus its asset disclosure system on the most exposed persons covering officials of all branches of government service including civil service, executive appointees, judiciary, parliament, diplomat service, military and SOEs. The government is committed to enforce sanctions, including an effective, non-discretionary administrative sanction for non-compliance with AD filing obligations.

Conclusion

56. Mr. President, the Government is confident that if implemented adequately, this program of reforms will help our country accelerate growth, increase the income of the poor households, and diversify the economy. However, the Government will need financial support in the short run to ease the lingering impact of the Ebola crisis and collapse in iron ore prices which continue to adversely affect the performance of the economy. Domestic revenue, though improving, is still below the pre-crisis level and the amount required to promote Government’s development agenda. At the same time, expenditure pressures persist to improve service delivery in the social and economic sectors. Though the envisioned reform will generate some savings, a severe expenditure cut should be avoided. While Government is implementing reforms to improve domestic revenue mobilisation, the provision of budget support by our development partners including the World Bank remains critical in the implementation of the Agenda for Prosperity and the Presidential Recovery Priorities.

57. In the absence of external budget support, the Government will have to excessively borrow from the domestic economy with attendant consequences on macroeconomic stability and economic growth.

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

Yours sincerely,

Foday B. L. Mansaray
Acting Minister of Finance and Economic Development