



REF NO: MF-BB/06/2012/03
FROM: The Financial Secretary
TO: All Permanent Secretaries/Heads of Departments
DATE: 25th June, 2012

Cc: Hon. Minister of Finance and Economic Development
Hon. Deputy Ministers of Finance and Economic Development
The Secretary to the President
The Secretary to the Vice President
The Secretary to the Cabinet and Head of the Civil Service
The Director General, Human Resource Management Office (HRMO)
The Commissioner General, National Revenue Authority (NRA)
The Auditor General
The Chairman, Parliamentary Finance Committee
The CEO, National Public Procurement Authority

BUDGET CALL CIRCULAR FOR FINANCIAL YEAR 2013

I. INTRODUCTION

As you know, the Budget Call Circular is issued to assist your Ministry/Department/Agency (MDA) in formulating Budget Estimates for the MTEF period 2013-2015, paying particular attention to FY2013 whose estimates are firm and the estimates for 2014-15 are indicative only. In this regard, you are advised to adhere to the framework and guidelines as stipulated in the 2012 Revised MTEF Guidelines to facilitate smooth discussions and subsequent approval of your Proposals and Estimates.

2. In line with Section 22 of the Government Budgeting and Accountability Act 2005, the Minister of Finance and Economic Development should lay the Budget for FY2013 and its medium-term perspective in Parliament by Friday, 26th October, 2012. However, this year being an election year and Parliament closing its sittings on 25th September, 2012, all MDAs are thus encouraged to submit their budget proposals together with their contributions for inclusion in the Statement by Friday 27th July 2012 at the latest.

II MEDIUM TERM STRATEGIC PRIORITIES OF GOVERNMENT-MOVING FROM THE AGENDA FOR CHANGE TO THE AGENDA FOR PROSPERITY

3. As you know, 2012 is the final year of the implementation of the second generation Poverty Reduction Strategy Paper, SL PRSP II, 'Agenda for Change' (available at www.mofed.gov.sl) and Government at present is putting modalities in place for a successor programme 'Agenda for Prosperity' which will guide expenditure priorities and resource allocation over the next five years. In this regard and until the completion of the 'Agenda for Prosperity', the FY2013 budget will continue to protect capital and poverty-reducing expenditures while limiting non-priority recurrent expenditures.

4. In particular, the 2013 Budget will continue to focus on the continuing requirements to rehabilitate and reconstruct infrastructure- electricity; roads and water supply; enhance value-added agriculture and fisheries; and improve on quality of education and health care, including expanding the free healthcare for under-fives and pregnant and lactating women. Hence, sector policy objectives, priorities and budget frameworks must be articulated within these areas, while recognising the importance of mainstreaming youth and gender issues. Furthermore, MDA Strategic Plans and related Procurement Plans must reflect measures and targets agreed in the respective Ministerial Performance Contracts.

5. Additionally, MDAs must plan their procurement processes at least a quarter in advance to ensure the timely delivery and supply of goods and services. This is important to allow a rapid assessment of the attainment of goals and objectives.

6. Finally, with a strong desire to increase own revenue generation, all MDAs must report all revenues to be collected as well as on-going or anticipated external donor assistance.

III. GENDER MAINSTREAMING OF THE BUDGET ESTIMATES

7. It is now widely recognized to gender mainstream the MTEF budget to ensure equitable resource allocations for female and male beneficiaries. In this regard, all MDAs are encouraged to prepare strategic plans and budget estimates that are gender friendly. Those with ongoing gender sensitive activities should submit data/information on gender analysis of their respective FY2013 budget estimates.

8. Gender mainstreaming should also be reflected in the performance targets and performance monitoring plans. For outputs, examples will include number of female farming organizations that would benefit from agricultural inputs as against male farming organizations and number of male children that are provided free healthcare relative to female children. For outcomes, examples are percentage increase in number of female farmers benefiting from farm specific farm inputs and the percentage increase in numbers of girl pupils compared to boys paid for under the NPSE or WASCE exams.

IV. PUBLIC FINANCIAL MANAGEMENT

11. Improvements in public financial management remain an overriding objective of Government in its desire to enhance transparency, accountability and probity in the use of public funds. As part of these efforts, the Integrated Financial Management Information System (IFMIS) installed in the Accountant General's Department and utilised for the processing and recording of Government's financial activities has over the past years been rolled out to a few large spending MDAs.

12. To strengthen the overall process of internal controls in the processing of transactions, we will continue to rollout of the Expenditure and Purchasing Modules of the IFMIS to more MDAs. We hope to use the Performance Budgeting Module of the IFMIS and its Budget Book Builder to compile the estimates for FY2013 and the actual for the past two years. For Local Councils, appropriate measures, including monitoring and evaluation, are being introduced to improve on financial management.

V. MACROECONOMIC FORECASTS, 2012-2013

18. To guide the preparation of your estimates, forecasts have been prepared by the macro-fiscal unit in MoFED, based on a comprehensive macroeconomic modelling exercise as follows:

	2012 (forecast)	2013 (forecast)	2014 (forecast)
GDP growth (including iron ore)	32.5%	8.3%	8.2%
<i>GDP growth (excluding iron ore)</i>	<i>6.3%</i>	<i>6.0%</i>	<i>6.2%</i>
Exchange rate (average: Le/US\$)	4,468	4,487	4,452
Budget deficit (including grants)/GDP	1.9%	1.0%	1.1%
<i>Budget deficit (including grants)/GDP excl. iron ore</i>	<i>2.1%</i>	<i>1.3%</i>	<i>1.4%</i>
Budget deficit (excluding grants)/GDP	6.2%	4.0%	4.0%
<i>Budget deficit (excluding grants)/GDP excl. iron ore</i>	<i>6.6%</i>	<i>5.2%</i>	<i>5.1%</i>
Revenue/GDP	15.5%	13.0%	13.1%
<i>Revenue/GDP excl. iron ore</i>	<i>16.6%</i>	<i>16.8%</i>	<i>16.7%</i>
Total expenditure/GDP	17.4%	14.0%	14.2%

<i>Total expenditure/GDP excl. iron ore</i>	<i>18.7%</i>	<i>18.2%</i>	<i>18.1%</i>
Domestic revenue (Le billions)	1,769.4	2,132.7	2,296.3

19. As the table shows, the economy is forecast to grow at a strong pace of 32.5 percent in 2012, 8.3 percent in 2013, and 8.2 percent in 2014. Developments in the iron ore mining sector are driving these high growth rates, although non-iron ore growth is still healthy, with all major sectors of the economy expected to expand output. Annual average national consumer price inflation (CPI) is forecast at 11.5% in 2012, but inflationary pressures are forecast to return again, with CPI expected to grow by 9.1% in 2013.

20. The exchange rate will continue to be relatively stable in 2012, and is expected to average Le4,468 to the US Dollar over the year. This low depreciation is partly as a result of an increased demand for Leones from various new entrants into the economy, including in the mining sector. The exchange rate is forecast to remain stable beyond 2012, particularly as Sierra Leone's exports expand significantly.

21. The budget deficit (excluding grants) is projected at 6.2 percent of total GDP in 2012, with this figure reducing to 4 percent in 2013 partly because of the high GDP growth estimate for that year. Domestic revenues are expected to continue to grow, even topping Le 2 trillion from 2013 onwards, with the National Revenue Authority undertaking reforms, the private sector expanding, and attempts being made to increase the share of the formal sector and broaden the tax base.

SCOPE FOR THE PREPARATION OF THE FY2013 BUDGET ESTIMATES

22. In preparing Budget Estimates, all MDAs are strongly encouraged to:
- Adhere to the Government Budgeting and Accountability Act 2005.
 - Adhere to the requirements of the Public Procurement Act 2004, especially for the preparation of procurement plans (including disbursement plans).
 - **Prepare comprehensive revenue and expenditure estimates** including all donor and NGO-supported programmes and projects.
 - **Prepare detailed Strategic Plans** (Annex 2) with clear policy objectives, activities, output/outcomes, key performance indicators and timelines. Strategic Plans should be costed and provided for within the indicative resource ceilings (Electronic copies of templates are available from the Budget Bureau).
 - Ensure the widest participation of all stakeholders, including NGOs, CSOs, and internal budget committees.
 - Ensure that budget proposals and formats are consistent with the new IFMIS 27-digit Chart of Accounts

- Ensure adequate budgeting for new vacancies, promotions, recruitments, absorptions and retirements, which must also be consistent with HMRO guidelines and respective MDA Manpower requirements.
- **MDAs are encouraged to submit their contribution to the Budget and Statement of Economic and Financial Policies for FY 2013 against end July 2012.**

VI. GUIDELINES FOR THE SUBMISSION OF FY2013 BUDGET PROPOSALS AND DRAFT ESTIMATES

23. Using the above framework and fiscal projections for 2013, all MDAs are strongly advised to prepare their budget estimates within the indicative ceilings on their overall expenditures in FY2013 as shown in Annex 1 to this Circular. As indicated above, the FY 2013 budget is skewed heavily to support infrastructure development. Hence, MDAs in the growth and poverty reducing sectors must submit initial budget proposals by mid July 2012 for discussions with the Budget Bureau. Thereafter, final budget ceilings will be communicated based on agreed programmes and costings, following discussions with the IMF and our Development Partners.

24. For all other MDAs, the indicative ceilings at this initial stage in the budget planning cycle are only a guide to assist in preparing initial budget proposals. Final ceilings will be communicated following discussions with all stakeholders.

Internal Procedures for Budget Preparation within MDAs

25. As usual, all Vote Controllers must convene meetings of their Budget Committees to undertake the initial preparation of their budget estimates. The full participation of the budget committees in compiling the draft budget estimates for FY2013 and MTEF Strategic Plans for 2013-2015 is strongly encouraged. Copies of the **Minutes** of all such meetings must be sent as an Annex to budget submissions for FY2013.

26. On completion of the committees' work, the draft Budget Estimates must be submitted to the **supervising Minister for endorsement and approval**. The approved Draft Estimates are then submitted to the Ministry of Finance and Economic Development.

Revenue Projections

27. All MDAs are requested to provide a comprehensive list of all current and prospective revenue streams under their purview as well as their medium term revenue projections, including deposits on the sale of bid documents. In addition, all balances in bank deposits must be reported when submitting revenue proposals.

28. All MDAs are also required to submit tax and non-tax proposals for discussion during budget hearings. The Ministry of Finance and Economic Development will also consider all proposals for increases or decreases in the rates for fees, licenses etc.

Recurrent Expenditure Projections

29. In preparing estimates for recurrent expenditures, all MDAs should include:
- i. Outstanding commitments on all existing contracts and supplies. These must be adequately provided for before new obligations are accommodated; and
 - ii. Contracts denominated in foreign currencies must not be entered into. A standardized template for costing is attached as Annex 5 to this Circular. However, MDAs are advised to obtain the electronic copy of the standardized costing templates from the Budget Bureau.
30. To address the huge arrears that have accumulated under Subscriptions to International Organizations, these are being centralized in MOFED and do not form part of your budget ceiling. In this regard, all MDAs are required to submit a comprehensive list of all international bodies they hold membership of, stating clearly the annual assessed subscription/contribution fee, together with any outstanding arrears, including any payment plan for the clearance of the same.
31. The indicative ceilings for recurrent expenditures (Annex 1) for all MDAs for FY2013 are attached. These must be **complied** with in submitting Draft Estimates and proposals to facilitate review and discussions during participatory budget meetings. The attached Check List (Annex 6) must also be completed when submitting proposals.

VII. PAYROLL PLANNING AND MANAGEMENT

Human Capital Accountability System

32. Over the years, uncertainties in the numbers of public sector workers, including severe fluctuations in the payroll, are a major source of unpredictability in budget management. In the absence of adequate planning for vacancies, promotions, recruitments, absorptions and retirements, it has been very difficult to control both the evolution of personnel numbers and the size of the government wage bill.
33. To minimize its negative impact on the budget, all MDAs are requested to review their staffing levels with respect to filled positions, recruitments, promotions, absorptions, retirements, etc. in consultation with the Human Resource Management Office. All MDAs submission for payroll allocations for FY2013 and beyond must reflect outcomes from such review. The Human Resource Management Office will continue to endorse all such submissions.

Personnel Costs

34. The Payroll Estimates for FY2013 and beyond will be computed on the basis of the current monthly payroll vouchers as processed by the Accountant General. These estimates will be submitted to each MDA for review. Each MDA will then resubmit following any amendments and/or corrections.

35. In collaboration with HRMO, all MDAs must also provide information on retirements – those who proceeded on retirement during the year or are expected to retire by 31st December 2012, including abandonment of posts. Unfortunate occurrences of deaths must also be reported. This is part of the cleaning up exercise of the payroll. The prescribed formats for submission of the information requested in respect of retirement and other movements in payroll numbers are provided as an attachment to this Circular (Tables WS1 through WS3).

Teacher Payroll

36. The teacher payroll will continue to receive our attention, especially in respect of arrears for newly recruited teachers and its attendant negative consequences both for Government and the affected employees. Government through the African Development Bank secured a grant to finance a comprehensive biometric verification and electronic files creation of all Teachers nationwide which is now almost completed.

37. In this regard, all stake holders - Ministry of Education, Science and Technology, Public Sector Reform Unit, SLTU, Accountant General, and Local Councils should collaborate effectively to ensure a successful conclusion of this exercise.

DEVELOPMENT EXPENDITURE PROJECTIONS

38. All MDAs with on-going project(s) should submit a **copy of the original project(s) document** together with a **comprehensive progress status report** on project implementation as at end June 2011. The policy objective(s), activities, estimated cost, duration and expected outcomes of such projects should be made clear and incorporated in the strategic plan. **MDAs should ensure that donors comply with and complete the Development Assistant Database (DAD).**

39. For 2013, capital/development expenditure projections should pay particular attention to:

- Projects at or near completion stage which can be fully funded in 2013;
- Rehabilitation projects which will enhance the performance/output/utilization of existing programmes and services;
- Projects which are critical to the statutory functions of MDAs.

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

41. In the absence of indicative ceilings for on-going and/or new projects, all capital expenditure projections should be based on proper costings using existing contract documents, open competitive bidding, results of surveys, consultants' estimates and other verifiable and objective sources. In this regard, capital expenditure projections must be

redefined and reprioritized to avoid inclusion of expenditures of a recurrent nature in the development estimates.

42. For 2013 and beyond, capital projects are to be chosen in line with the objectives of the PRSPIII – the “Agenda for Prosperity”.

VIII. DOMESTIC ARREARS

43. All MDAs are requested to submit a comprehensive list of arrears owed to domestic suppliers for goods and services contracted but not paid for as at the end of December 2011, including arrears owed for utilities. This list will be verified by the Internal Audit Unit in MOFED. Such arrears are not part of the budget ceiling provided to you.

IX. FINANCING THE FY2013 BUDGET

44. Projected financing for the FY2013 budget is based on an internal macroeconomic model for domestic revenues and expected levels of direct budget and project support from our development partners. However, there is now an increasing emphasis for reliance on domestic revenue given the unpredictability of donor support and our own inability to deliver on performance targets to access the same.

X. OTHER ADMINISTRATIVE DETAILS - ORGANISATION AND TIMELINES FOR THE 2013 BUDGET PREPARATION PROCESS

Deadline for Submission of Draft Estimates and Proposals

45. In order to comply with the requirements of the Government Budget and Accountability Act 2005, the **deadline for the submission of Budget Proposals**, including **Strategic Plans**, updated **Procurement Plans** (including quarterly Disbursement Plans) by all MDAs to the Budget Bureau is **27th July 2012**.

Policy Hearings and Participatory Budget Discussions

46. These discussions, involving community leaders, District Budget Oversight Committees, Members of Parliament, development partners and other stakeholders, will be held in early August 2012.

XI. TECHNICAL SUPPORT

47. Staff of the Ministry of Finance and Economic Development, in particular Budget Officers in the Budget Bureau and members of the MTEF/TC, are available to answer any technical or factual questions relating to this CIRCULAR LETTER and/or the Budget preparation and formulation process. Please also note that Annexes 2 to 6 referred to in this Circular are to be obtained in electronic version from the Budget Bureau on the 7th floor of the Ministerial Building for ease of completion.

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

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