

Sierra Leone 2022 Budget Highlights

Economic Indicators & Expenditure Highlights



- The theme for Sierra Leone's 2022 Budget was: **Building Resilience for Inclusive Green Recovery**.
- GDP is projected to grow by 2.9% in 2021 compared to **-2.0%** in 2020, with projected growth of 5.0% in 2022.
- The country's **trade deficit widened** to US\$682 million in the first half of 2021 due to the sharp increase in imports which outweighed the increase in exports—mining accounting for 81.4% of total exports, showing over reliance on this industry. Diversification of the economy into agriculture and manufacturing is crucial.
- The country's **total debt is US\$ 3.1 billion** (75% of GDP). The high debt to GDP ratio will continue to reduce the fiscal space for developmental projects as the government repays the debt.
- The **main risks** to the outlook of the Sierra Leone economy in 2022 include an unanticipated surge in COVID-19 cases, rise in international fuel & food prices and freight costs, and a drop in iron ore prices.
- The **wage bill** for 2022 is projected at Le3.90 trillion (7.7% of GDP) compared to Le3.75 trillion in 2021. A review of the wage bill is urgent to create more fiscal space for vital social services.
- **Planned expenditure** for 2022 in **key sectors** includes Le1.7 trillion to the **Education** sector (22% of the budget); Le896.7 billion to the **Health** sector (11% of the budget); and Le278 billion on **Agriculture and Food Security** sector (3.6% of the budget).

Tax Policy & Administrative Measures



- Planned implementation of **Special Economic Zones (SEZ)** through tax incentives, tax holidays, duty waivers, and streamlined customs and administrative procedures.
- Removal of import duty on **Liquefied Petroleum Gas (LPG)** used for cooking gas to encourage citizens to switch from charcoal.
- Other **Tax Policy Measures** include implementing a Duty Waiver Policy to reduce leakages; revising the Income Tax Act to reflect the new realities such as digital taxation; and implementing the Excise Tax Stamp to curb smuggling and tax evasion.
- The enactment of the **Mines and Minerals Development Bill** to establish the legal framework for promoting good governance, transparency in the **fiscal**, social, and environmental aspects.
- Using **Public-Private Dialogues (PPDs)** as a means for government to engage the private sector on investment and tax issues for consideration into the Finance Act.
- **Planned Revenue Mobilisation reforms** include the full roll-out of the Block Management Registration System (BMRS) for small and medium taxpayers, the Integrated Tax Administration System (ITAS), the Electronic Cash Register (ECR) System, and undertaking a study on taxing High Net Worth Individuals (HNWIs).

Selected Recovery Measures



- Installation of a **National Payments Switch** to promote the use of electronic payments and digital platforms.
- Establishment of an **E-Voucher System to distribute agricultural inputs** to farmers transparently and efficiently.
- Provision of **Le 100 billion Special Agricultural Credit Facility** by the Bank of Sierra Leone at an interest rate of 5% to provide credit for agricultural inputs
- Complete the process of **fish export accreditation** for the EU and other markets.
- Implementation of the **Industrial Policy** to unlock the full potential of the manufacturing sector.
- Automate the **Credit Reference Bureau** and upgrade the Collateral Registry to enable commercial banks to identify creditworthy customers and promote the use of moveable assets as collateral.
- Provision of Le18.0 billion for the **MUNAFU Fund** through the Small and Medium Enterprises Development Agency (SMEDA) to provide loans for SMEs.

“Although the budget's focus is on the green economy, there are limited tax measures to encourage the growth of this sector. With increased food and freight prices globally, there is a need to diversify the economy; and prioritise expenditure.”



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