



Public Expenditure and Financial Accountability (PEFA) 2017 - Sierra Leone

Sierra Leone has maintained its progress on Public Financial Management reform over the last two decades. An analysis of changes since 2014 shows more improvements in scores than deteriorations, however a range of weaknesses were identified that have impacted on fiscal discipline (the ability to stay on track), on strategic allocation of resources (alignment with the Agenda for Prosperity), and on efficient delivery of services.

What is PEFA?

PEFA provides a standardised, evidenced based assessment of Public Financial Management (PFM) performance. PEFA is the most commonly used international assessment tool for PFM, having been carried out in nearly all developing countries, and a number of middle and high income countries. A PEFA assessment measures the extent to which PFM systems, processes and institutions contribute to the achievement of desirable budget outcomes:

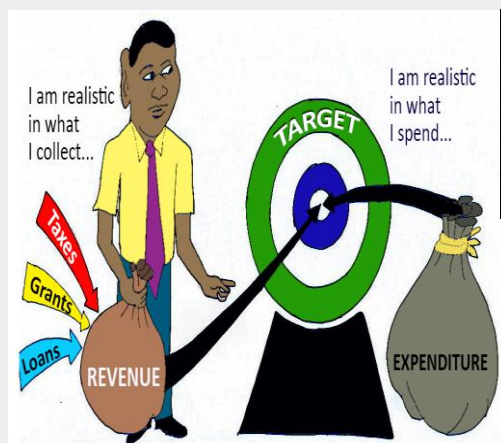
- Aggregate fiscal discipline, ■ Strategic allocation of resources, and ■ Efficient service delivery

PEFA assessment have been carried out internationally since 2005. The assessment framework was updated and enhanced in 2011 and in 2016. This 2017 assessment uses the 2016 assessment framework. Previous assessments were carried out in Sierra Leone in 2007, 2010, 2014. In the scoring method, M1 represent weakest link method, while M2 represent average method.

Results of the 2017 Assessment – by Pillar

Pillar	Indicator Scoring							Score	No.
	C+	D	D						
I. Budget Reliability	C+	D	D					A	2
II. Transparency of Government	A	A	B	D	D	D		B+	0
III. Management of Assets and Liabilities	D+	D+	D+	D+				B	4
IV. Policy Based Fiscal Strategy and Budgeting	B	C+	C+	C+	C			C+	8
V. Predictability and Control in Budget	B	C+	C+	D+	D+	D+	D	C	1
VI. Accounting and Reporting	B	C+	D+					D+	9
VII. External Scrutiny and Audit	C+	D+						D	7

Pillar I - Budget reliability



PFM Performance Indicator		Scoring Method	Dimension Ratings				Overall Rating
			1.	2.	3	4	
PI-1	Aggregate expenditure out-turn	M1	D*				D
PI-2	Expenditure composition out-turn	M1	D*	D*	D*		D
PI-3	Revenue out-turn	M2	A	D*			C+

Key findings:

- High composition variances between original budgets and out-turns for revenue and expenditure. This is partly due to frequent 'overrides' to the procedures for control of commitments and payments
- Government expenditure variance has improved slightly, however because donor expenditure is not yet included in the consolidated fund dimensions of PI-1 and PI-2 were scored as D* (insufficient information). Had they been included the overall rating would have improved.
- Expenditure has exceeded budget in each year, with a declining trend
- High variance in expenditure which is due to the following;
 - Politically directed expenditure on unplanned projects and contracts
 - Budgets, particularly procurement budgets, are not well prepared



The quality assurance process followed in the production of this report satisfies all the requirements of the PEFA Secretariat and hence receives the 'PEFA CHECK'.

Funded by:



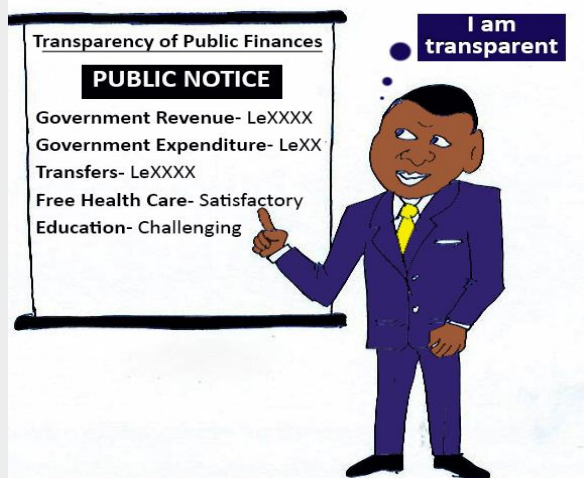
Supported by:



Key ongoing and planned reforms

The PFM Act 2016 prescribes a more formal arrangement for a Contingencies Fund. It sets criteria for withdrawals from the Fund and limits its size to not more than 2% of non-extractive revenue each year.

Pillar II – Transparency of public finances



Key ongoing and planned reforms

- The Accountant General Department is planning to bring SVAs, SAAs and donor-funded projects into a set of central government financial statements in compliance with the Public Financial Management Act 2016.
- From the 2018 budget onwards the recurrent and development expenditure estimates and the appropriation bill will be posted on the Ministry of Finance website.

PFM Performance Indicator	Scoring Method	Dimension Ratings				Overall Rating	
		1.	2	3	4		
PI-4	Budget classification	M1	A				A
PI-5	Budget documentation	M1	B				B
PI-6	Central government operations outside financial reports	M2	D	D	D*		D
PI-7	Transfers to subnational governments	M2	A	A			A
PI-8	Performance information for service delivery	M2	D	D	D	D	D
PI-9	Public access to information	M1	D				D

Key findings:

- Improvement in the functional classification by the development of programmes within the pillars of the Agenda for Prosperity
- Revenue that is outside central government financial reports is more than 10% of total budget central government (BCG) revenue in 2016.
- The distribution of books by Ministry of Education Science and Technology does not follow a clear and transparent formula
- The transfer of quarterly allocations to council is notoriously late in Sierra Leone
- Systems to track performance are in place
- Annual performance contracts not published

Pillar III – Management of assets and liabilities



Key Ongoing and planned reforms

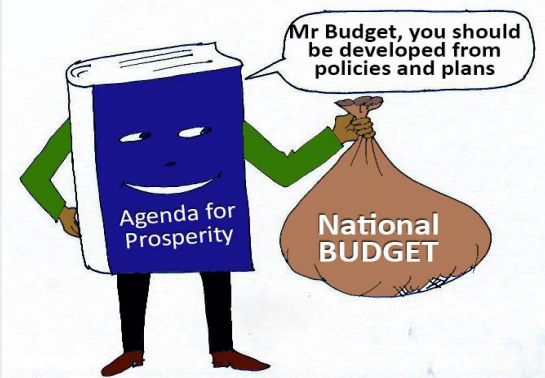
- The Government has started reporting and providing analysis on fiscal risks in the Fiscal Strategy Statement, which goes to Cabinet and Parliament in line with the Public Financial Management Act 2016
- In August 2017, the National Asset Government Property Commission finalised a project proposal document aimed at strengthening the Commission to better account for government assets and properties. The cost of the project is USD 5.6 million. This is yet to be funded.

PFM Performance Indicator	Scoring Method	Dimension Ratings				Overall Rating	
		1.	2.	3.	4.		
PI-10	Fiscal risk reporting	M2	C	D	C		D+
PI-11	Public investment management	M2	D	C	D	C	D+
PI-12	Public asset management	M2	C	D	C		D+
PI-13	Debt management	M2	C	D	D		D+

Key findings:

- Council audit reports are not publish
- At present, there are no guidelines for assessing the economic viability of Public Investment Programmes.
- There are no guidelines for project appraisal that will inform project selection in terms of economic viability
- At present, public investment project selection (about 70% of public investment projects) is heavily dependent on political considerations, with very little or no focus on the availability of fiscal space as well as economic and social impact.
- The framework for monitoring financial assets is weak.
- At present, there is no comprehensive national asset policy. The Minister of Finance initiated this process but it is yet to be completed

Pillar IV - Policy-based fiscal strategy and budgeting



Key ongoing and planned reforms

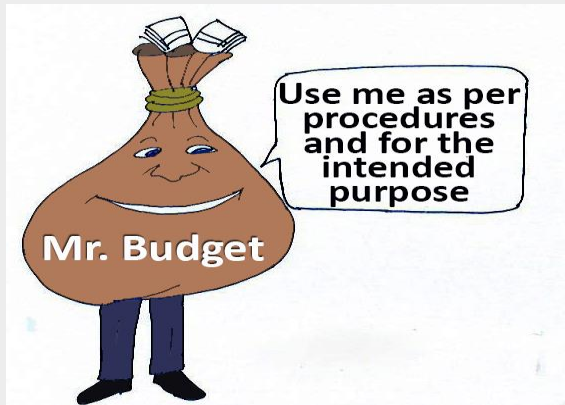
A DataMart portal has been developed to provide tools for budget analysis. A new budget calendar has been designed to allow the Cabinet more time to allocate the resource envelope identified by the Fiscal Strategy Statement. Additional economists (28) and budget officers (20) were recruited and trained

PFM Performance Indicator		Scoring Method	Dimension Ratings				Overall Rating
			1.	2.	3.	4.	
PI-14	Macroeconomic and fiscal forecasting	M2	B	C	C		C+
PI-15	Fiscal strategy	M2	D	C	B		C
PI-16	Medium-term perspective in expenditure budgeting	M2	B	A	D	D	C+
PI-17	Budget preparation process	M2	C	A	C		B
PI-18	Legislative scrutiny of budgets	M1	B	A	A	C	C+

Key Findings

- Revenue and expenditure forecasting and monitoring has been strengthened in Budget Bureau, Economic Policy and Research Unit, Revenue and Tax Policy Unit and National Revenue Authority, using new software (DataMart).
- Budget Framework Papers (BFPs) not published

Pillar V - Predictability and control in budget execution



Key ongoing and planned reforms

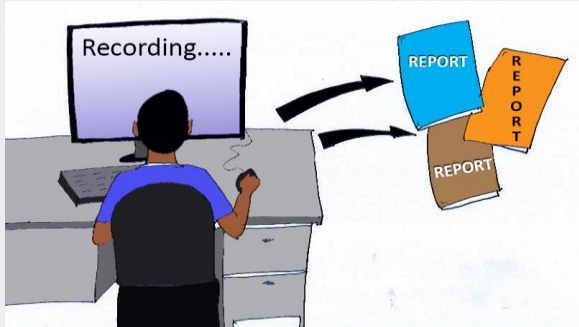
- It is planned to prioritize the clearance of outstanding cheques and avoid building up new arrears (Letter of Intent with IMF May 2017).
- Development and implementation of a compliance risk management strategy by 2018 for both Local Taxpayer Office (LTO) and Small Medium Taxpayer Office; a draft LTO risk management strategy has been developed awaiting management/board approval

PFM Performance Indicator		Scoring Method	Dimension Ratings				Overall Rating
			1.	2.	3.	4.	
PI-19	Revenue administration	M2	B	C	C	B	C+
PI-20	Accounting for revenues	M1	B	B	C		C+
PI-21	Predictability of in-year resource allocation	M2	C	B	D	D	D+
PI-22	Expenditure arrears	M1	D*	D			D
PI-23	Payroll controls	M1	B	D	C	C	D+
PI-24	Procurement	M2	D	D*	C	D	D
PI-25	Internal controls on non-salary expenditure	M2	A	C	C		B
PI-26	Internal audit effectiveness	M1	B	C	D	D	D+

Key Findings

- Weak control in expenditure commitments has led to accumulation of huge expenditure arrears, some outside IFMIS
- There are a range of challenges in payroll control, especially delays in payroll and personnel changes
- Procurement management and monitoring is weak and incomplete
- Internal audit plans are not being completed due to lack of capacity/support
- The absence of a biometric national identification means its not possible to detect taxpayers with multiple Tax Identification Numbers**
- There's unpredictable resource allocation to service delivery units.

Pillar VI - Accounting and reporting



Key ongoing and planned reforms

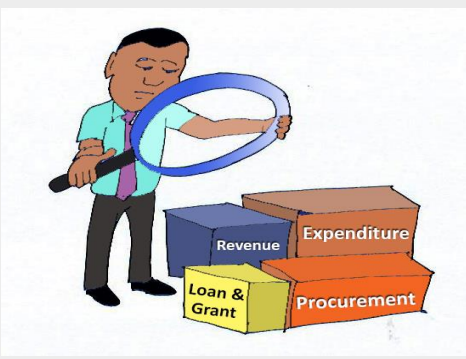
The Accountant General is planning to prepare annual consolidated central government accounts by incorporating the accounts of sub-vented agencies and extra-budgetary entities.

PFM Performance Indicator		Scoring Method	Dimension Ratings				Overall Rating
			1.	2.	3.	4.	
PI-27	Financial data integrity	M2	B	NA	NA	B	B
PI-28	In-year budget reports	M1	D	D	C		D+
PI-29	Annual financial reports	M1	B	A	C		C+

Key findings

- The annual budget includes transfers to the extra-budgetary entities and imprest advances to several BUs but the actual expenditure of these entities is not included in monthly reports.
- No quarterly reports have been seen, and the monthly reports do not include any commentary on budget execution

Pillar VII - External scrutiny and audit



PFM Performance Indicator	Scoring Method	Dimension Ratings				Overall Rating	
		1.	2.	3.	4.		
Pillar VII. External scrutiny and audit							
PI-30	External audit	M1	B	C	C	C	C+
PI-31	Legislative scrutiny of audit reports	M2	D	C	C	C	D+

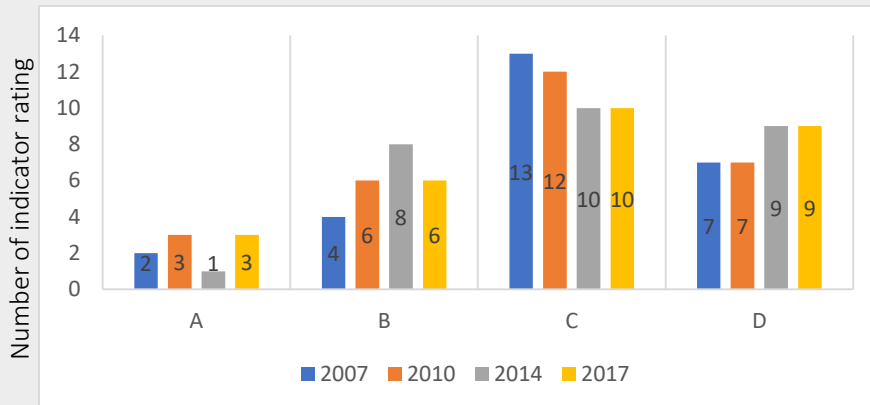
Key Findings

Oversight strongly spearheaded by the Audit Service Sierra Leone (ASSL) but late scrutiny of their reports, years after the event, dilute accountability and reduce the likelihood of effective corrective actions such as system strengthening, prosecution and recovery of public funds.

An assessment of core PFM functions within the PEFA framework shows that the following elements are not being performed adequately and should be regarded as priorities for reform:

- Availability of data on expenditure arrears
- Central monitoring of extra-budgetary agencies and public enterprises
- Comprehensiveness of information in budget documentation
- Effectiveness of payroll controls
- Coverage of reports on government operations
- Reliable information on procurement activities
- Collection of tax revenues
- In-year budget execution reporting
- Predictability in the availability of resources to program managers
- Legislative control of budgets
- Timely legislative scrutiny of external audit reports

Comparison with Previous PEFA assessments



Overall Performance in 2017 is has shown a slight improvement since 2014

Note, in 2016 the PEFA methodology was updated, with new indicators and a stricter scoring mechanism. Therefore, the comparison with previous assessments is made using the old methodology.

Methodology

Coverage of the assessment- This assessment is based on the 2016 PEFA framework using all 31 performance indicators. The scope of the assessment covers the operations of the central government in Sierra Leone (all the budgetary units of the central government, including ministries, departments, and agencies (MDAs)).

To assess the application of the PFM systems at the MDA level, the following five ministries were selected on the grounds of their size and developmental significance: Education, Science and Technology; Health and Sanitation; Works, Housing and Infrastructure; Mining and Mineral Resources; Agriculture, Forestry and Food Security. These five accounted for 35% of the budget for 2016. Public corporations (called state-owned enterprises in Sierra Leone) are not covered by the assessment except to the extent they present a fiscal risk to central government.

When performance is assessed?- The assessment was carried out using the most recently available data at the time of the assessment. Data for the financial years 2014, 2015 and 2016 were used where three years' data were required and for financial year 2016 where data for the last completed fiscal year were needed. Some indicators (PI-5, 16 and 17) required the data in the last budget presented in Parliament at the start of assessment (October 2017), which was for FY 2017. Reference is also made to the budget for 2018, which was presented to Parliament in November 2017. The cut-off date for data collection was end-November 2017. Information made available after cut-off may be included in the final report but would not affect the scoring.

Sources of information- The assessment used a range of government documents from various ministries and other budgetary agencies specific for each indicator and also evaluations/assessments or studies made by other development partners. The choice of the information was based on the guidance provided in the PEFA 2016 Framework. These included the core PFM legal documents, five year and annual plans, budget reports, annual financial statements, and audit reports. Information was also obtained or supplemented or validated through interviews or specific queries raised with the stakeholders.